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UNITED STATES DEPARTMENT OF AGRICULTURE

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Washington, D. C.

Preliminary Program

44th ANNUAL NATIONAL
AGRICULTURAL OUTLOOK CONFERENCE

November 14-17, 1966

Washington, D. C.

September 1966

9:00 Registration: USDA South Building,
 5th Wing Entrance, Independence Avenue, S. W.

THOMAS JEFFERSON MEMORIAL AUDITORIUM
USDA South Building

M. L. Upchurch, Administrator,
Economic Research Service, USDA, Chairman

9:30 Opening of Conference
Lloyd H. Davis, Administrator, FES, USDA

9:40 Orville L. Freeman, Secretary of Agriculture

THE SITUATION AND OUTLOOK FOR 1967

10:00 National Economic Situation and Outlook for 1967
James P. Cavin, Director, Economic and Statistical
Analysis Division, ERS, USDA

10:30 INTERMISSION

10:45 Agricultural Situation and Outlook for 1967
Rex F. Daly, Chairman, Outlook and Situation Board, ERS, USDA

11:15 PANEL DISCUSSION- M. L. Upchurch, USDA, Moderator

James P. Cavin, USDA

Rex F. Daly, USDA

Winn F. Finner, Head, Staff Economists Group, USDA

Louis J. Paradiso, Associate Director, Office of Business
Economics, U.S. Department of Commerce

James H. Knowles, Executive Director, Congressional Joint
Economic Committee

William F. Butler, Vice President, Chase Manhattan Bank

Monday Afternoon, November 14

THOMAS JEFFERSON MEMORIAL AUDITORIUM
USDA South Building

George L. Mehren, Assistant Secretary, Chairman

MARKETING AND FOREIGN TRADE OUTLOOK

- 2:00 Developments in Domestic Marketing
Kenneth E. Ogren, Director, Marketing Economics Division, ERS, USDA
- 2:30 Foreign Commercial Markets
Raymond A. Ioanes, Administrator, Foreign Agricultural Service, USDA
- 3:00 INTERMISSION
- 3:10 Food for Freedom
Dorothy H. Jacobson, Assistant Secretary, USDA
- 3:40 PANEL DISCUSSION--George L. Mehren, USDA, Moderator

Kenneth E. Ogren, USDA

Raymond A. Ioanes, USDA

Dorothy H. Jacobson, USDA

Kenneth R. Farrell, Economist, University of California

Tuesday Morning, November 15

THOMAS JEFFERSON MEMORIAL AUDITORIUM
USDA South Building

John A. Baker, Assistant Secretary, USDA, Chairman

CHANGES IN FARMING AND FARM LABOR

- 9:00 Organization and Use of Resources in Farming
W. B. Sundquist, Director, Farm Production Economics Division,
ERS, USDA
- 9:30 Trends and Outlook for Rural Migration
Gladys K. Bowles, Leader, Manpower Group, Economic Development
Division, ERS, USDA
- 10:00 INTERMISSION
- 10:15 Emerging Farm Labor Issues
Varden Fuller, Professor of Agricultural Economics,
University of California
- 10:45 Programs for Hired Farm Labor
David S. North, Assistant to the Secretary for Farm Labor,
U.S. Department of Labor
- 11:15⁰ PANEL DISCUSSION--John A. Baker, USDA, Moderator
W. B. Sundquist, USDA
Gladys K. Bowles, USDA
Varden Fuller, University of California
David S. North, USDL
M. L. Upchurch, Administrator, Economic Research Service, USDA
Edgmond P. Callahan, Economist, Farm Management, FES, USDA

COMMODITY SESSIONS

Tuesday Afternoon, November 15

1:30 Feed, Livestock, and Meat

Thomas Jefferson Memorial Auditorium

Homer S. Porteus, FES, Chairman

1:30--Malcolm Clough, ERS, Feed Outlook Statement

2:50--INTERMISSION

3:10--Robert L. Rizek, ERS, Livestock and Meat Outlook Statement

Wednesday Morning, November 16

9:15-10:40

Dairy

Thomas Jefferson Memorial Auditorium

Fred C. Webster, FES, Chairman

Anthony G. Mathis, ERS, Outlook Statement

10:50-12:15

Poultry

Thomas Jefferson Memorial Auditorium

Richard G. Ford, FES, Chairman

Herman Bluestone, ERS, Outlook Statement

COMMODITY SESSIONS (continued)

Wednesday Afternoon, November 16

- 1:30- 2:30 Vegetables and Potatoes
Room 3056, South Building
Dana G. Dalrymple, FES, Chairman
Donald S. Kuryloski, ERS, Outlook Statement
- 1:30- 2:30 Sugar
Room 3115, South Building
Tom O. Murphy, ASCS, Chairman
- 2:45- 4:15 Fruits and Tree Nuts
Room 3056, South Building
Dana G. Dalrymple, FES, Chairman
Martin A. Blum, ERS, Outlook Statement
- 2:45- 4:15 Cotton
Museum of History and Technology Auditorium
Edgemond P. Callahan, FES, Chairman
James R. Donald, ERS, Outlook Statement

Thursday Morning, November 17

- 9:15-10:40 Fats, Oils, and Peanuts
Museum of History and Technology Auditorium
John R. Paulling, FES, Chairman
George W. Kromer, ERS, Outlook Statement
- 9:15-10:40 Forest Products
Room 3115, South Building
Paul O. Mohn, FES, Chairman
Dwight Hair, FS, Outlook Statement
- 10:50-12:30 Wheat
Museum of History and Technology Auditorium
E. Dean Vaughan, FES, Chairman
William R. Askew, ERS, Outlook Statement
- 10:50-12:30 Tobacco
Room 3056, South Building
Claude G. Turner, ASCS, Chairman
Arthur G. Conover, ERS, Outlook Statement

FAMILY LIVING SESSIONS

Tuesday Afternoon, November 15

CONFERENCE ROOM B-1048, MUSEUM OF HISTORY AND TECHNOLOGY
10th Street and Constitution Avenue, N. W.

Helen Turner, Assistant Director, Division of
Home Economics, FES, USDA, Chairman

BEGINNING FAMILIES

- 2:00 Population Growth and Family Formation
Paul C. Glick, Assistant Chief for Demographic and
Social Statistics, Population Division, Bureau
of the Census, USDC
- 3:00 Family Planning: Government Programs
Robert B. Dorsen, M.D., Medical Director, Office of the
Surgeon General, U.S. Public Health Service, HEW
- 3:45 INTERMISSION
- 4:00 Cost of Raising a Child
Lucile F. Mork, Family Economics Branch, ARS, USDA

FAMILY LIVING SESSIONS (continued)

Wednesday Morning, November 16

AUDITORIUM, MUSEUM OF HISTORY AND TECHNOLOGY
10th Street and Constitution Avenue, N. W.Ruth M. Leverton, Assistant Deputy Administrator,
ARS, USDA,, Chairman

FOOD

- 9:15 Food: Outlook for Supplies and Prices
Stephen J. Hiemstra, Head, Food Consumption and Utilization
Section, ERS, USDA
- 10:00 Changing Patterns of Family Food Spending
Faith Clark, Director, Consumer and Food Economics
Research Division, ARS, USDA
- 10:30 INTERMISSION
- 10:40 Implications for Consumers in the Recommendations of
the National Food Marketing Commission
George E. Brandow, Professor of Economics and Sociology,
Pennsylvania State University
- 11:30 The Consumer Looks Ahead
Esther Peterson, Special Assistant to the President
for Consumer Affairs

FAMILY LIVING SESSIONS (continued)

Wednesday Afternoon, November 16

CONFERENCE ROOM B-1043, MUSEUM OF HISTORY AND TECHNOLOGY
10th Street and Constitution Avenue, N. W.Jean L. Pennock, Chief, Family Economics Branch,
ARS, USDA, ChairmanCLOTHING, HOUSING, HOME FURNISHINGS:
OUTLOOK FOR SUPPLIES AND PRICES

- 2:00 Clothing and Textiles: Summary Statement
Virginia Britton, Family Economist, ARS, USDA
- 2:10 Housing: Summary Statement
Ramsay Wood, Economist, U.S. Department of Housing
and Urban Development
- 2:20 Household Equipment and Home Furnishings: Summary Statement
Katherine Smythe, Family Economist, ARS, USDA
- 2:30 PANEL DISCUSSION
- 3:15 INTERMISSION
- 3:30 New Developments in Leather Products and Footwear
John W. Thompson, Agricultural Economist, ERS, USDA

FAMILY LIVING SESSIONS (continued)

Thursday Morning, November 17

CONFERENCE ROOM B-1043, MUSEUM OF HISTORY AND TECHNOLOGY
10th Street and Constitution Avenue, N. W.

John A. Baker, Assistant Secretary, USDA, Chairman

NEW OPPORTUNITIES FOR BETTER LIVING IN RURAL COMMUNITIES

- 9:15 USDA's "Operation Outreach"
John A. Baker, Assistant Secretary, USDA
- 9:30 Consumer Food Programs
Howard P. Davis, Deputy Administrator, C & MS, USDA
- 10:15 INTERMISSION
- 10:30 Housing and Related Community Services
Frank D. Pollard, Chief, Housing and Community Facilities
Staff, RCDS, USDA
Henry A. Palm, Director, Association Loan Division,
FHA, USDA
- 11:30 Facilitating Community Action--in low-rent public housing developments
Dorothy Gilfert, Community Services Officer, Housing
Assistance Administration, U.S. Department of
Housing and Urban Development

OUTLOOK 1967

Program: 44th Annual National Agricultural Conference

November 14 to 17, 1966

U.S. Department of Agriculture

Washington, D.C.

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Kenneth E. Ogren, Director, Marketing Economics Division, ERS, USDA
- 2:30 Foreign Commercial Markets
Raymond A. Ioanes, Administrator, Foreign Agricultural Service, USDA
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- 3:10 Agriculture and Food Aid
Dorothy H. Jacobson, Assistant Secretary, USDA
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Kenneth R. Farrell, Economist, University of California

Erven J. Long, Associate Assistant Administrator for
Technical Cooperation and Research, Agency for
International Development, U.S. Department of State

Tuesday Morning, November 13

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Anthony G. Mathis, ERS, Outlook Statement

10:50-12:15 Poultry

Thomas Jefferson Memorial Auditorium

Richard G. Ford, FES, Chairman

Herman Bluestone, ERS, Outlook Statement

Guest members of panel:

Ralph Baker, Ohio State University

Roland C. Hartman, Pacific Poultryman

Berwyn B. Gehgan, North American Poultry Cooperative
Assoc., Inc.

COMMODITY SESSIONS (continued)

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CLOTHING, HOUSING, HOME FURNISHINGS: OUTLOOK FOR SUPPLIES AND PRICES

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 housing developments
 Dorothy Gilfert, Community Services Officer, Housing
 Assistance Administration, U.S. Department of
 Housing and Urban Development

For Release at 9:40 a.m. Nov. 14

The late President Kennedy once said that the great enemy of truth is very often not the lie ... but the myth.

He said this at Yale University in 1961 in a memorable exercise in reason and logic.

Too often, he said, we hold fast to the cliches of our forebears. We subject facts to a prefabricated set of interpretations, and we enjoy the comfort of opinion without the discomfort of thought.

"Mythology," he said, "distracts us everywhere -- in government as in business, in politics as in economics, in foreign affairs as in domestic policy."

I welcome you to this 44th annual Outlook Conference with a deep concern that mythology distracts us, too, in agriculture ... that fantasy and illusion pose a threat to effective action ... that platitudes and slogans have muddled the river of reason and dammed the channels of communication.

Those of you who are here from land grant universities and colleges, those of you who are here from the industries serving agriculture .. and, yes, those of you who are our welcome guests from other Nations ... recognize, I'm sure, that this venerable conference has earned its reputation by its unrelenting attention to the hard economic facts of life.

Address by Secretary of Agriculture Orville L. Freeman at the 44th Annual National Agricultural Outlook Conference, Jefferson Memorial Auditorium, USDA, Washington, D.C., November 14, 1966, 9:40 a.m.(EST).

Because of this ... and because of the traditional respect and desire of this audience for the truths of economic intelligence ... I can think of no more appropriate occasion to examine those myths and fantasies that clog the agricultural dialog, compromise objectivity, warp judgment ... and frequently impede action.

Nor can I think of a more appropriate time.

In the wider national interest, President Kennedy said at Yale, we need not partisan wrangling, but common concentration on common problems.

The sound and fury of the 1966 political campaign is past. The election is history. Now it is time to put aside partisan wrangling and turn to concentration on those common problems.

But common concentration implies a certain objectivity, a certain selflessness that can only come with conscious effort ... an effort to shed oneself of prejudice and seek the truth impartially.

Two years ago in Oklahoma City, President Johnson put the challenge this way:

"Don't ever get so selfish," he said, "but what you forget that what is good for your country is good for you. And let's put aside the slogans and the false warnings. Let's look at the facts. Let's see what our government actually does."

Today I propose to examine some myths to get at some facts, to seek out the realities of contemporary agriculture ... and to focus some much-needed attention upon what the Department of Agriculture actually is -- and what it actually does.

(more)

USDA 3618-66

So let me begin:

MYTH: American agriculture is subjected to a bewildering and unwanted array of Federal controls.

FACT: American agriculture today is freer than it has been for 30 years. There are few controls. Programs for such basic commodities as feed grains, wheat, and, in part, cotton, are now voluntary programs. Farmers have broad discretion in deciding whether to be in or out of the program. And there never have been controls of any kind on soybean and dairy production.

Under voluntary programs, the farmer himself decides whether he wishes to join in the program to balance production with demand ... or wants to go it alone in the marketplace.

Only rice, peanuts and tobacco are still under mandatory programs. These require farm planting within established allotments ... but only after the particular program has commanded a two-thirds favorable vote by the planters. Year after year, these farmers vote 97 to 99.3 percent in favor of these programs.

Even mandatory programs have great flexibility. Rice acreage has been greatly expanded, and the tobacco program has been modified by the acreage-poundage provision.

Repeated public statements by a farm organization, editorial writers, and politicians should not be permitted to obscure the fact that the American farmer is a free and independent businessman -- not helplessly in the grip of great Government machinery that dictates his every action.

(more)

USDA 3618-66

MYTH: Commodity programs are unnecessary because non-supported products, such as livestock, earn most of the farm income.

FACT: Income from products not directly supported is heavily dependent upon the supply and the price of commodities which are supported by farm programs.

Livestock returns, in the long run, are strongly influenced by the price of feed. The price of feed, in turn, is in large part dependent upon the programs for feed grains and related crops. The feed grains program is as important to cattle and hog producers as it is to feed grain producers.

MYTH: With grain surpluses eliminated, now is the time to get rid of farm programs.

FACT: Although we will move an additional 25 to 30 million acres back into wheat and feed grain production this coming year, we will still have 20 to 25 million acres diverted from cotton and feed grains.

If this additional acreage were put into production, we'd be right back on the road to another heavy surplus build-up.

Our already large cotton stocks, now being sharply reduced, would jump right back up to record high proportions. And feed grain prices again would be resting on support levels.

Furthermore, there is a substantial additional potential for higher productive capacity through the use of more efficient production techniques ... larger inputs of fertilizer, for instance, or improved seed.

Thus the basic potential for overproduction is unchanged, and for the foreseeable future we plan to use our farm programs to avoid the threat of new surpluses, as well as to expand output when we need it.

There is also the question of the best mix of food products for commercial markets at home and abroad ... and for the Food for Freedom program.

The market is generally an efficient guide to commercial (dollar) requirements. Starving children in other lands, however, don't affect the market in the United States very much until program decisions are made in the United States. To protect them, we must in some cases increase output of the kinds of crops which can be used to meet their nutritional needs.

Farm programs help steer our food production into the right channels to reach that proper mix.

This brings me to a corollary myth, the myth that holds that we should drop all restraints and produce food to the maximum as long as there are hungry people anywhere in the world.

We can't do that, and let me tell you why.

FACT: If the need for food imports by developing countries were to continue to grow at past rates ... reflecting inadequate rates of agricultural development ... in a few years total food aid needs would exceed what the United States and other developed countries could supply.

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USDA 3618-66

Furthermore, absence of restraints would not guarantee enough additional production of the commodities traditionally used in food aid -- wheat, rice, and non-fat dry milk. These commodities represent only a portion of our total output, and only a small part of our excess production potential. We have a far greater production potential in feed grains, cotton, and tobacco ... but only the food grains can be used to any significant extent for food aid. This means that if U. S. agriculture were to go full steam ahead, we'd quickly build up large surpluses in a number of commodities ... but only modestly expand production of other vitally needed food commodities.

There are things we could do to further increase production of food aid commodities -- incentives of higher prices, accelerated public investment to bring more land back into use, expanded research efforts toward higher yields, for example -- but these efforts would require billions of dollars of additional public expenditures ... and having spent that money we still would not have solved the world food problem.

I say this because making the developing nations even more dependent upon food "gifts" is a self-defeating solution ... when what we need is self-help on the part of those nations. To finally solve the problem of world food, the hungry nations must increase their own food production. We can help them do this with our resources and advice ... meanwhile buying time for them with continued food aid. But no one country, not even the United States, can feed all the hungry of the world for very long ... and the attempt to do so would end, finally, in failure and starvation.

Now let me turn to some persistent myths about the farmer's pocketbook.

MYTH: Farmers must receive parity prices in order to receive parity income.

FACT: Parity prices are based on relationships between the prices farmers received and the prices they paid 50 years ago. The old parity formula is no longer realistic. It deals only with prices. It does not take into account increased productivity ... and it ignores Government programs and payments.

Let me give you an example. In the depths of the Depression, farm prices were at 85 percent of parity. Sounds pretty good, doesn't it? But what good is 85 percent of parity when total net farm income is less than \$5 billion -- as it was back then?

The only meaningful measure of a farmer's well-being is net income -- what he has left after he's paid his bills at the end of the year. This year our farmers will have more than \$16 billion left after they pay their bills at the end of the year ... the second highest net farm income in history. Net income per farm at \$4,900 is up 65 percent from 1960's \$2,956; this is the highest by far in the Nation's history.

So when we talk about parity of income in 1966, we can't talk in 1914 terms. We must define it in modern terms. One definition measures parity in terms of skilled labor's wages for the owner-operator, and a 5 percent return on invested capital.

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This is a modest standard in comparison with returns in business and industry ... but modest or not, many farmers have not reached it.

Nevertheless, the gap between farmer and non-farmer income has been narrowed by 18 percent in the past six years, and we expect it to continue to close in the years ahead.

Our Department is now preparing a study of parity of income for the Congress. We hope this study will further clarify the concept and the measures.

ANOTHER POCKETBOOK MYTH: Farm debt is threatening to engulf and destroy American agriculture.

FACT: Although farm debt admittedly has increased sharply in recent years, the value of farm assets has advanced even more rapidly.

At the beginning of this year, the total value of assets in agriculture was about \$256 billion, and the total liabilities amounted to \$41.6 billion. This means the average American farmer owned outright about 84 percent of his assets, and owed only 16 cents on each dollar of assets.

In other words, farm assets today are more than six times as great as liabilities. By contrast, the total assets of manufacture industry in mid-1966 were \$381 billion and liabilities were \$152.5 billion -- a relationship of assets to liabilities of only a little more than two to one.

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Since 1960, the value of farm assets has increased \$51.9 billion and farm debts \$16.7 billion. The resulting increase in equities of 35.2 billion is more than twice as large as the expansion in debt. Since World War II, farm debt has increased at about the same rate as corporation debt, but at a much slower rate than consumer debt and private non-corporate mortgage debt.

I don't mean to minimize either the debt burden or the cost squeeze in agriculture. Debt has climbed. And costs have soared. As the single largest bloc of consumers in the Nation, farmers have a right to be concerned about the threat of inflation. And everyone involved has an obligation to combat that threat.

Now let's look at an agricultural myth of more recent vintage.

MYTH: The Department of Agriculture spends its annual appropriation of about \$7 billion to subsidize farmers who will soon be outnumbered by USDA employees.

FACT: Two-thirds of the Department's annual expenditures and about 90 percent of its man-hours are devoted to services of benefit to the general public. USDA provides far more direct services to more consumers, for instance, than does any other department or agency of government.

Among many other things, USDA administers the biggest recreational complex, operates and maintains the biggest fire department, sells more timber than the biggest lumber company, lends more money than the biggest bank, and carries out the biggest emergency feeding program in the world.

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USDA 3618-66

Of USDA's full-time employees, for instance, 30.4 percent are in the Forest Service, protecting and managing 186 million acres in 154 National Forests; 16.9 percent are in the Agricultural Research Service, researching ways to increase and improve food production; 14.4 percent work in Consumer and Marketing Service, doing, among other things, the job of inspecting 6 billion pounds of poultry and 35.6 billion pounds of meat a year; but only 5.4 percent work in the Agricultural Stabilization and Conservation Service, which deals almost wholly with farm programs. Employment in this agency is down 38 percent since 1960 -- despite a heavier workload.

And now let's examine one more erroneous image.

MYTH: Agriculture is becoming an industry of factory-size corporate farms.

FACT: Just the opposite is true. By 1964, family farms accounted for over 95 percent of all farms and 73 percent of all farm marketings.

Moreover, if we define "adequate-size" farms as those with gross sales of more than \$10,000 a year, we find that family farms in that category are becoming ever more numerous ... an even more significant criterion.

I should point out here that the \$10,000 sales yardstick measures the minimal qualification for "adequate size." Many of these farms, of course, gross more than \$10,000 a year.

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The number of adequate-size family farms increased more than 30 percent from 1959 to 1965, but the number of larger-than-family-size farms having gross sales of more than \$10,000 decreased by nearly 20 percent. By 1965, family farms accounted for 88 percent of all farms in the over-\$10,000 value of sales class.

There were more than a million farms with gross sales of more than \$10,000 in 1965 -- an increase of 200,000 over 1959 -- and the highest rate of climb into this earnings bracket in our history.

Family farms that provide a decent living for the operator and his family are increasing. Those that cannot are decreasing.

From 1959 to 1965, less-than-adequate-size farms decreased by more than 900,000. These are the farms with resources so limited their operators cannot earn adequate incomes.

What is to be done for them? The answer to that burning question has been sought for three decades or more.

By definition, such unfortunate farmers do not have the resources to reach a decent American standard of living no matter how efficient they may be.

They have three options. They can seek assistance in acquiring the resources they need to compete as operators of adequate-size farms. They can seek jobs to supplement their farm income.

They can quit farming altogether and seek employment in their home communities ... or, if they are not trainable because of age or disability, they can seek other income-supplementing assistance.

Since 1960, an estimated 70,000 farmers have received farm ownership loans and reached the adequate-size farm category.

Hundreds of thousands have benefited from the Rural Area Development program which has brought new job opportunity to the countryside.

In the past year and a half, 25,000 low-income families have received Economic Opportunity loans to help them supplement farm income.

And new vocational education, technical training, job training, education and welfare programs are reaching out to include the low-income farmer.

Thus a great deal is being done. But not nearly enough. Half of the poor of our Nation live in rural areas. Many of these are farmers. Too many of them go to bed each night with little or no hope for a better tomorrow.

If we invested as much time and interest and resources in helping them as we devote to commercial agriculture, then these hope-starved submarginal farmers -- many of them elderly, physically disabled or only part-time operators -- could look forward to ever brighter days.

But it is a myth to expect farm commodity programs to bring salvation to the farmer whose land cannot sustain him. Commodity programs are not designed to do that. Nor can commodity programs be justified in terms of what they do for the less-than-adequate-size farm.

Commodity programs are not welfare programs. Instead, they are designed to make possible a tolerable balance between supply and demand in the market so that the adequate-size commercial family farmer can get a fair price for his products, attain a decent American standard of living, and continue to be the most efficient food producer in the history of the world.

To measure commodity programs in terms of what they do for the less-than-adequate-size farm is to judge them by a standard they are not designed to meet. Yet in the "conventional wisdom" of the day, millions of Americans still criticize, still claim no confidence in farm programs, because those programs don't help the "little farmer."

"Professional wisdom" has another viewpoint.

Late last month, Dr. Sherwood O. Berg, dean of the University of Minnesota's Institute of Agriculture and chairman of the National Advisory Commission on Food and Fiber, said this:

"Commercial agriculture represents one set of problems that must be met, and noncommercial agriculture -- in effect, rural poverty -- represents something entirely different. A single farm policy simply cannot be the answer to the problems of both."

The problems and the needs of the operator of the less-than-adequate-size farm must be met. But they can only be met in a revitalized countryside ... a countryside offering better education, better vocational training, better health facilities ... a countryside offering industry and jobs.... a countryside where a man can stay on the land he loves by taking a job in town when he doesn't have the resources to compete as the operator of an adequate-size farm.

President Johnson summed it up earlier this fall when he said:

"I think we can set a higher goal than parity for farm prices. We want to achieve full parity for all rural life in all places in this country Modern industry and modern technology and modern transportation can bring jobs to the countryside rather than people to the cities. And modern government could also help. I want to see more factories located in rural regions. I want more workers able to supplement their incomes by part-time farming -- and more farmers working part-time in industry. I want those who love the land to reap all the benefits of modern living. And we are working to make this happen."

We can make this happen. We can achieve full parity of opportunity and full parity of income. But we can't do it with horse and buggy thought in a day of orbiting astronauts. We can't do it hobbled by antiquated agricultural concepts and tripped up at every turn by tired truisms and the dreary dicta of bygone years. And we certainly can't do it until we've cut through generations of fiction and fantasy to get at facts ... the kind of strong, hard facts we need to build a robust rural America ... The kind of facts we seek here today.

Thank you.

UNITED STATES DEPARTMENT OF AGRICULTURE
Office of the Secretary

AGRICULTURE AND FOOD AID

Remarks by Dorothy H. Jacobson
Assistant Secretary for International Affairs
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 3:10 P.M., Monday, November 14, 1966

When President Johnson sent his Food for Freedom message to the Congress last February he proposed a program directed toward winning the war against hunger in the world. In formulating this program he took into account population and food production trends that indicate prospective needs for food in the years ahead. He considered these needs in terms of the agricultural productive capacity of the United States, and in relation to existing domestic farm commodity programs that are now flexible enough for adjustment to meet those needs. He presented a comprehensive program looking toward victory over hunger in this generation -- a goal which the current explosion of scientific and technological knowledge has put within reach.

This comprehensive program included financial and technical assistance for agricultural development in aid-recipient countries. It included a call upon other highly developed nations to contribute their share. It also included significant changes in the United States program for food aid. The amended Agricultural Trade Development and Assistance Act, Public Law 480, as finally passed by the Congress last month and signed by the President last week, incorporates the major principles recommended by the Administration last February.

The most significant feature of this new legislation is its call for self-help efforts to accelerate food production within the food deficit nations themselves. This purpose was given major emphasis by President Johnson when he presented the Administration's program. As the food aid bill progressed through the Congress, both the House and Senate added provision after provision to strengthen the emphasis on agricultural development within the recipient countries.

This avowed policy of the United States to stimulate, encourage and assist the developing nations of the free world to improve their own food production could hardly be more firmly expressed than in the new food aid legislation. It is a new policy, firmly supported not only by both the Executive and Legislative branches of the Government but also by public

opinion throughout the nation. It reflects a changed attitude that has come about as a result of an emerging recognition of the fact that a grave world food crisis can be avoided only by sharply accelerated rates of increase of food production within the food-deficit regions of the world.

This fact was clearly brought out by an interdepartmental study of current trends. If these current trends in food production and population growth in countries receiving food aid from the United States are allowed to continue, the result would be a growing food deficit that would need to be met by constantly increasing imports from more highly developed countries. For a few years the United States could produce enough to fill the deficit by bringing diverted acres back into cultivation -- provided that we could afford the cost of such massively increased food aid programs. But at some time, certainly within the next two decades, the needs of the food-deficit aid-recipient countries would increase to an amount greater than that which we could produce, over and above our domestic needs and our increasing commercial exports.

Thus it is clear that the world food problem cannot be solved by increasing food aid. The only permanent solution of this problem, as was stated in U.S.D.A.'s World Food Budget - 1970, published in 1964, is to be found by increasing agricultural productivity within the developing nations themselves.

With this new emphasis on self-help -- on a policy of assisting developing countries to accelerate their own agricultural production -- the United States accepts the problem of hunger in developing nations as our own problem. Our policies and our assistance programs must be directed toward its solution -- for humanitarian reasons as well as in our own self-interest.

In the first place, it is morally impossible for us to accept widespread hunger and suffering when we know that it is scientifically and physically possible to produce enough for all.

In the second place, we recognize the extent to which our own future economic progress, our own hopes for greater international trade, even our own prospects for a steady and continued increase in commercial exports of farm products depend upon the rate of economic growth in the developing nations. The largest potential market in the world now lies in the less developed nations with their rapidly growing populations. That market is a sleeping giant with an almost limitless capacity to consume. The unmet needs of these billions of people -- needs for food, for clothing, for every product of modern industry -- far exceed the needs of the developed world. But this sleeping giant will awaken, and this market will come to life, only when economic growth brings higher incomes and greater buying power.

We already have evidence that increased per capita incomes in the developing countries result in increasing exports of the products of American farms. As these countries improve their per capita incomes by 10 percent, their imports on commercial terms of commodities in general increase by 11 percent, while their commercial imports of food increase by 16 percent. Among countries that have achieved a substantial measure of economic growth we note that -- in comparing 1955-59 with 1961-65 -- our cash exports of farm products to Israel doubled, those to Spain increased ten-fold, those to Taiwan increased by 13 times, and those to Greece by 16 times.

A prelude to market development in the developing nations must therefore include policies and programs that stimulate and encourage rapid economic progress in those countries. And, while that progress must affect every sector of their economic life, emphasis on the agricultural sector deserves much higher priority than it has received in the past -- if only because most of the people are in rural areas. Until the level of living of these rural majorities can be raised, until hundreds of millions of farmers can rise above their primitive subsistence agriculture and enter the market economy, overall economic growth will be severely retarded.

Thus, paradoxical as it may seem, we must help the farmers of developing nations to improve their own agriculture if we would transform those nations into better cash customers for our own farm products.

A third basis for our policy of assisting agricultural development and economic growth in less developed countries relates to the overriding importance of narrowing the gap between the "have" and the "have-not" nations. Under present trends, this gap is widening. If these trends continue, and if this gap continues to widen, the unrest and violence that must inevitably accompany hunger and poverty in the emerging nations will threaten our own freedom and prospects for peace. Thus we recognize that it is in our own interest, as well as of benefit to all mankind, that we gear our policy toward helping the developing countries to help themselves.

The self-help emphasis in the new legislation encompasses much more than increased agricultural production. It recognizes the need for developing related industries, such as those producing fertilizer and other agricultural chemicals and farm machinery and equipment. It emphasizes storage facilities as well as improved marketing and distribution systems. It includes a section authorizing the Secretary of Agriculture to establish a program of "farmer-to-farmer" assistance, to recruit and train people "in the practical techniques of transmitting to farmers ... improved practices in agriculture," and to conduct research in tropical and sub-tropical agriculture.

The new food aid bill specifically regards the resolution of population problems as a part of the self-help effort. It provides, in Section 103(a), that the President shall "take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth."

It provides, in Section 405, that "the authority and funds provided by this Act shall be utilized in a manner that will assist friendly countries that are determined to help themselves toward a greater degree of self reliance in providing enough food to meet the needs of their people and in resolving their problems relative to population growth."

It further authorizes the use of foreign currencies that accrue from sales under this Act: -- (a) for carrying out programs of United States Government agencies to ... "promote and support programs of medical and scientific research, cultural and educational development, family planning, health, nutrition and sanitation"; and (b) "for financing, at the request of the (recipient) country programs emphasizing maternal welfare, child health and nutrition, and activities, where participation is voluntary, related to the problems of population growth, ..."

The self-help principle is further reinforced in the new Act by its provision for a progressive transition from sales for foreign currencies to sales for dollars on credit terms at a rate whereby the transition can be completed within five years. Thus the provision of food aid will progress toward terms similar to those that apply to capital assistance. Recipient countries, recognizing that food aid will cost more than it has in the past, will be encouraged to put greater emphasis on expanding domestic food production whenever that would reflect an economically sound allocation of development resources.

Still further reinforcement is provided by Section 109 -- inserted by the Congress itself -- which lists nine criteria which shall be considered in evaluating self-help efforts, and which provides that each sales agreement "shall describe the program which the recipient country is undertaking to improve its production, storage, and distribution of agricultural commodities; and shall provide for the termination of such agreement whenever the President finds that such program is not being adequately developed."

While the self-help principle is the most far-reaching of the new concepts in our food aid program, there are others of major significance.

It is well known that the new Act no longer limits food aid to surplus commodities, but now encompasses any agricultural commodity or product (except alcoholic beverages for both sales and donation programs and tobacco for donation programs) determined to be available by the Secretary of Agriculture. The Secretary, in determining commodities available, may

not reduce supplies below quantities needed to meet domestic requirements, adequate carryover, and anticipated commercial exports. However, he will exercise his authority in domestic farm programs to encourage production of quantities needed for food aid as well as for all other uses. Food aid can now be geared more specifically to needs in aid-recipient countries.

There is a new emphasis on nutrition in the new legislation. Authority is provided to enrich and fortify commodities to improve their nutritional value. There will be greater emphasis on programs to combat malnutrition in children, through school lunches and pre-school feeding programs. Nutritionally adequate prepared food mixes, designed to meet serious protein and vitamin deficiencies, are getting increased attention. Nutritionally valuable foods that were not previously available because they were not in surplus can now be made available for food aid.

Another important feature is the emphasis on international effort. In his Food for Freedom message President Johnson pointed out that "hunger is a world problem. It must be dealt with by the world." He urged a "truly international effort to combat hunger and modernize agriculture," and announced our policy to work to strengthen the Food and Agriculture Organization, and to expand the efforts of multilateral lending organizations, and of the United Nations Development Program, particularly in food and agriculture. The new Act contains a section affirming the "sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combating world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs." The United States is seeking to stimulate action on the part of the Development Advisory Committee of the O.E.C.D. and to secure provisions for food aid in any international grains agreement that may be concluded.

These are the major new features of our food aid program.

Other features that have been developed and carried out under Public Law 480 during its twelve year history will be continued. Among the most important of these are the development of foreign markets for American agricultural products, research and educational activities in recipient countries, emergency relief, food donation programs operated by voluntary agencies approved by the United States Government, food-for-work programs and the use of food to finance agricultural and community development projects, and the promotion and financing of investment and development by private industry -- both American and local -- in recipient countries. These features have all proved their usefulness over the years.

I should like to turn now to a consideration of the implications of this new program, both in terms of United States foreign policy and overall foreign assistance programs and in terms of American farm commodity programs.

Much has been said about the new program involving a "reversal" of United States domestic agricultural programs. It has been suggested that policies to restrict farm production are being supplanted by programs to produce for food aid. Other agriculturally advanced nations that compete with us for commercial markets fear new threats to their markets. And critics of measures designed to control production have suggested that, in view of world food needs, all controls should be abandoned.

The new program is not such a complete "reversal" as many would have you believe. Our policy, for at least the past six years, has been to gear production to amounts that can be constructively used, including amounts needed for food aid, while avoiding the stockpiling of burdensome surpluses that cannot be used. This policy has met with substantial success, and our commodity programs are designed to be flexible enough so that they can be adjusted to anticipated needs.

It has been suggested that current world food needs should have been anticipated earlier, but statistics show that the presently alarming rates of food production per capita are a product of the sixties. During the 1950's, production per capita seemed to be rising. Those few far-seeing leaders who were calling for increased agricultural production in less developed nations during the 1950's were calling for it in terms of progress toward higher standards and greater self-reliance in the developing nations themselves, rather than in terms of a potential net world scarcity of food.

The population explosion, as we know it today, is a relatively recent phenomenon. From the distant and uncertain date of man's first appearance on earth, perhaps a thousand centuries ago, up to only a few hundred years ago, world population increased very slowly and gradually. Population growth rates during much of the world's known history have been on the order of two percent per century -- as compared with the current two percent per year.

The current population explosion is in a large measure the product of the sharpest drop in death rates in history -- resulting from scientific and medical advances and public health measures in the decades since the end of World War II. (It is, for example, reported that the death rate in Ceylon dropped 40 percent in one year as a result of the use of D.D.T.) Population growth rates in the less developed world are now as high as $2\frac{1}{2}$ and 3 percent a year, and it is likely that population will increase by one billion by 1980 and may double by the year 2000.

But during this same period the expansion of food production has not kept up. At first the developing countries seemed to be doing pretty well, with food production increasing at an average rate of 2.6 percent a year during the 50's. This was a little higher than the population growth rate, and the per capita production was therefore slowly rising.

This trend seems to have changed thus far in the 60's. At present the per capita production of food seems to be trending downward in many of the less developed countries of the world.

At the same time, slowly rising per capita incomes are increasing the demand for food at a time when per capita availability from domestic production is either static or decreasing. The income elasticity of demand for food is high in countries where the average diet is some 10 percent below a minimum caloric standard.

Thus the world food problem has emerged during the 1960's as one of serious and urgent proportions. During the 1950's the trend may not have been as good as we had hoped, but it was going in the right direction. In many important areas of the developing world, new land was being brought into cultivation, and this acreage increase was responsible for a substantial part of the increased production of food.

In contrast, during the 1960's we are faced with the fact that in some of the hungriest and most heavily populated countries most of the available agricultural land is already under cultivation. It is true that vast new acreages could be put under cultivation in parts of Latin America and Africa. Desalinization is restoring some agricultural land in Pakistan. But India has the highest percentage of its agricultural land now under cultivation of any large country in the world. And most of this land has been cultivated for thousands of years. In the years immediately ahead most of the increase in agricultural production in much of the world will have to come about by the costly and difficult process of increased yields.

Thus our policy today continues to be directed toward meeting the needs, as well as they can be determined, of a rapidly changing world. We have called for more production, on more acres, of grains for which the need is clearly apparent. We will use food aid, in increased amounts if necessary, to fill the gap as the developing nations undertake the difficult and expensive task of increasing their own production. And we will help them by coordinated programs of technical and capital assistance, giving higher priority and greater emphasis than has been given in the past to food and agriculture.

Under the new program, food aid will be coordinated more closely with overall assistance programs. American farm commodity programs will be influenced by assistance needs. This imposes a great responsibility on the Secretary of Agriculture, who must "determine the agricultural commodities and quantities thereof available for disposition ... and which may be included in the negotiations with each country," as well as to make decisions on acreages and prices that will influence American farm production. The departments and agencies involved in this great coordinated effort will have to work together more closely than ever before.

The most fundamental "reversal," if there has been a "reversal," in United States policy lies not in a shift from restriction to expansion in our own agricultural production, but in the shift toward stimulating and assisting increased food production in the developing nations.

Two weeks ago in Paris, in speaking to Agriculture Ministers of the O.E.C.D., Secretary-General Kristensen said that, to the highly developed nations rapidly increasing their own agricultural productivity, the world food problem could be either a challenge or a temptation.

It is a temptation, with some appeal, for an agriculturally advanced, highly developed nation to think of going all out in expanding food production, pouring the excess in some abundance into the hungry nations. But to follow this temptation would be to allow food aid to be used as a crutch, to tempt the hungry nations, in turn, to delay or neglect their own agricultural development -- which alone can provide a permanent solution for the problem of hunger.

In this new food aid program, coupled with our domestic agricultural policy, the United States has resisted the temptation and accepted the challenge.

UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

FOREIGN COMMERCIAL MARKETS

Talk by Raymond A. Ioanes
Administrator, Foreign Agricultural Service
at the 44th Annual Agricultural Outlook Conference
Washington, D.C., 2:30 p.m., Monday, November 14, 1966

All the signs point to expanded agricultural exports this year and in the period immediately ahead.

Overall foreign demand for U.S. farm products--supported by economic growth in major commercial markets--stays strong. Positive foreign market development effort by government and industry continues to gain in efficiency.

We believe that farm product exports in this current 1966-67 fiscal year will reach a new high level of \$7.1 billion--almost half a billion dollars larger than last year's total--including record dollar sales of \$5.4 billion.

That's not all. Exports of \$8 billion by 1970 are well within the realm of probability. And on down the road--by 1980 or sooner--we can look for a \$10 billion year.

In recent years actual export volume has had a way of running ahead of our projections. Last year at this time we estimated that agricultural exports would increase by about \$100 million. Actually they increased by \$584 million.

Where did we make the biggest gains?

We shipped Western Europe over \$400 million more of our farm products than in 1964-65. Exports to Spain alone increased \$71 million--largely because of expanded shipments of corn, soybeans, and soya products. Shipments of feed grains to the European Economic Community rose by \$160 million and soybeans by \$61 million. Exports to Czechoslovakia rose from \$3 million to \$40 million, the latter total largely representing purchases of grain sorghums and corn.

Exports to Japan rose by \$150 million. Here the gain was made up of wheat as well as feed grains, oilseeds, and rice. Total shipments to Japan amounted to \$925 million, making that island country our best customer for farm products by a wide margin.

Despite heavy shipments of U.S. farm products under Government programs the latter part of fiscal year 1966, total aid shipments declined by \$73 million from a year earlier. Exports to Asia--including some big volumes to India and Pakistan--decreased by 5 percent over the full 12-month period.

What overseas developments are likely to influence U.S. agricultural exports in the months ahead?

Foreign economic growth will continue to support strong demand in the countries that lead as cash buyers of our farm products. In 13 of those countries, gross national product--adjusted for changes in cost of living--increased from \$323 billion in 1958 to \$467 billion in 1965. That's an average growth rate of about $5\frac{1}{2}$ percent a year. Growth at almost this rate can be expected for the next several years.

The population of these countries has risen by 35 million since 1958. Their wage rates are up by 28 percent in Canada and the United Kingdom to around 80 percent in Japan, West Germany, and the Netherlands. More people working at higher wages means expanded purchasing power and upgrading of diets. This means that foreign consumers are using some of their extra money for more meat, poultry, eggs, and dairy products. Increased consumption of these livestock products is, in turn, supporting larger exports of U.S. feed grains and soybeans.

Speaking of feed grains, French agricultural officials are in the United States right now to study our feeding methods. Back of this visit is a question cash grain farmers in France have been asking themselves: Should we continue to sell our grain or should we start feeding it to cattle? If the French substantially expand their cattle feeding operations, it would affect French grain exports, now running at the annual rate of 4 million metric tons of wheat, 2 million tons of barley, and 800,000 tons of corn. Curtailed French grain shipments to other countries would, of course, enhance U.S. market possibilities. Should France greatly expand beef feeding--and remember that the demand for beef in France continues to climb--several other export possibilities could open up to U.S. producers of grains and oilseeds.

Developments in the Communist world affect us directly or indirectly. This year the Communist agricultural situation is mixed, with record agricultural production in the Soviet Union, and decreased output in Communist China.

Russia's 1966 wheat crop alone is 75 million tons--far above the 1958 record of 62 million tons. This dramatic turnabout raises two questions: Will Russia continue to import wheat--or will it do an about-face and become a big wheat exporter as it was some years ago? I personally look for Russia to go through with its wheat import deal with Canada, which calls for delivery of some 9 million tons over a 3-year period. Remember that grain stocks in the Soviet Union have been low as a result of poor crops in 1963 and 1965. And because reserves are still low, I would expect exports from the USSR--or from diversions of Canadian grain--to be small. Exports, if any, in the immediate future probably will consist of some shipments to Eastern Europe and, possibly, to a few other countries where a little wheat can have a big propaganda impact.

Red China's output of major food crops amounted to an estimated 175 million metric tons--3 million below the 1965 harvest, and almost 9 million below the 1955-58 level. As usual, the principal culprit was bad weather, mainly drought. But insufficient agricultural inputs also may have played a role. Although the Chinese make claims of a "great leap forward" in industrial production, they make few boasts about progress in farm machinery, agricultural chemicals, and other industries that support agriculture.

Red China's imports of grain, mostly wheat, have averaged almost 6 million metric tons annually since 1961. Imports probably will approximate that level in 1966-67. Imports of grain already contracted for with Australia, Canada, and France amount to about 4.0 million tons, all for delivery in 1966-67. Argentina may be in the picture later. As in other recent years, wheat imports will replace some exports of China's higher-priced rice--exports possibly exceeding the 700,000 to 800,000 metric tons shipped last year.

World political developments continue to affect international trade. One of these is the problem that continues to exist between Rhodesia and the United Kingdom. I'm sure that all Free World countries hope for an early solution to that problem. In the meantime, economic sanctions against Rhodesia exist, and they have trade implications for U.S. tobacco farmers. Rhodesia's inability to supply world tobacco markets with the usual volume continues to strengthen exports of U.S. leaf.

Access to markets is essential to continued expansion of our exports now and in the period ahead. Over the years we have been able to obtain access to many markets for many of our farm products, as the expansion in our dollar exports proves. However, problems remain. A case in point is continued access to the big European Economic Community for many of our major commodities. The course of the Kennedy Round of trade negotiations will ultimately measure our success in selling to the Community. Much still remains to be done at Geneva--and the time is woefully short.

The expanding food needs of the less developed countries must be reckoned as a factor in the export picture. Eventually, we hope, these countries will produce more of their own supplies. They must. But even under ideal circumstances our food aid must be continued for an indefinite period if hunger and starvation are to be averted. Food for Freedom exports in 1966-67 will be somewhere in the neighborhood of \$1.7 billion.

COMMODITY OUTLOOK

I want to turn now to the export outlook for individual farm products in 1966-67. A brief, separate review of export prospects for major commodities today may lend perspective to the separate commodity discussions slated to begin tomorrow.

Feed grains: Feed grain exports last year exceeded our wildest dreams. We looked for exports of 21 million metric tons and we got 26.3 million. (That's 23.1 million short tons as compared with 29 million.) We expect shipments this year to be about the same as 1965-66.

Demand is strong, as I have emphasized. But our feed grain prices are higher this year; Europe's own supplies are up; and we'll have more competition from other producing countries, notably Argentina.

Exports of U.S. feed grains have been expanding at a more rapid pace than sales by farmers or domestic feed grain production. Ten years ago exports accounted for 15 percent of sales by farmers or $6\frac{1}{2}$ percent of production. Last year exports amounted to 35 percent of sales by farmers and 18 percent of total production.

Soybeans and products: Soybean exports in 1966-67 are estimated at about 275 million bushels--a tenth above last year's record shipments of 251 million.

Soybean meal shipments are expected to increase moderately from their present relatively low level as the record crush increases supplies. Demand for meal is strong, especially in Western Europe.

Soybean oil exports dropped off over 30 percent last year from the record 1,340 million pounds shipped in 1964-65. Figuring in this decline were reduced dollar sales to Spain--which bought more of our soybeans for crushing--and reduced P.L. 480 shipments to India, Pakistan, Morocco, Turkey, and Tunisia. Export prospects for oil in 1966-67, still uncertain, will depend on such factors as competition from foreign crushers, price levels, and P.L. 480 programming.

Wheat: Exports of wheat are forecast somewhere between 745 to 770 million bushels, as compared with the record 867 million bushels that went abroad in 1965-66. A major factor in the forecast for this year is the reduced availability of U.S. wheat. But the estimate for 1966-67 would still be above the level of 1964-65 and would be the third highest export of record. The final level of shipments will depend pretty much on the ultimate size of the oncoming 1967 crop.

Rice: Last year we shipped 30.4 million bags of milled rice valued at \$220 million. This year, with increased availability of U.S. rice in prospect, we look for even larger shipments. Commercial sales for dollars are increasing--a tribute not only to the high quality of U.S. rice but also to our foreign market development program. Rice will continue to play a big role in military and feeding operations in South Vietnam. Also, as in other recent years, we will program some rice to less developed countries other than South Vietnam.

Cotton: Things are looking up for King Cotton. U.S. exports in this current marketing season are expected to total about 5 million bales--a big improvement over the 2.9 million shipped last year. Lower world prices and a cyclical upturn in overseas cotton consumption in some countries are expected to stimulate foreign buying. At the same time, there has been a small production decrease in other Free World countries, which should strengthen our competitive position.

Tobacco: Exports of unmanufactured tobacco for the year ending June 30, 1967 are expected to total 560 million pounds (export weight)--substantially above the 472 million pounds in 1965-66, when shipments were the second smallest in 13 years. As I mentioned earlier, Rhodesia's reduced ability to market tobacco has enhanced our prospects. Other favorable factors include improved quality of U.S. leaf, the export payment program, and increased production of cigarettes abroad.

Fruits: Prospects for fruit in 1966-67 are somewhat mixed, but the outlook is generally favorable. Moderate export increases are expected for oranges, grapefruit, and pears. Exports of canned fruit, especially of peaches and fruit cocktail, as well as citrus juices, are expected to increase. Shipments of raisins may approximate the heavy volume of last season.

But shipments of fresh apples may be somewhat below the unusually large volume in 1965-66, when Western Europe's production was relatively small. Exports of dried fruit, other than raisins, probably will be down somewhat.

Vegetables: Prospects for expanded foreign trade in vegetables continue favorable. Exports to the Canadian market are expected to continue the uptrend of recent years. Possibilities of increasing vegetable shipments to Europe have been greatly enhanced by the successful development of shipping line container services and jet airline transportation.

Livestock and meats: U.S. exports of variety meats--hearts, livers, tongues, et cetera--should increase in the year ahead because of expanded pork slaughter. Lard shipments could well increase, also because of expanded pork slaughter, but this product is meeting stronger and stronger competition from vegetable oils. Tallow exports should hold about equal to those of last year.

While I'm on the subject of meats, let me point out that meat imports are somewhat larger than a year earlier.

An estimated gain of 186 million pounds in imports, largely of beef, over the 1965 level--less than one pound per person--has not had any disturbing effect on beef prices. And expected imports will be about one-fifth less than what would be needed to trigger quotas under the Meat Import Bill.

Pork imports have been relatively small, amounting to about 2 percent of our domestic production. The gain in imports of pork products thus far this year over a year earlier has amounted to only 35 million pounds--less than a fifth of a pound per capita. Here, again, there has been no perceptible impact on domestic prices of hogs or pork.

Poultry: Exports of poultry meat have held up surprisingly well through 1966. Competition from European suppliers in traditional U.S. markets is keener with each succeeding year. However, prospects for a continued high level of export trade in turkeys, poultry parts, and specialty packaged items remain relatively good for 1967.

Dairy products: Reduced supplies and higher prices for U.S. dairy products have virtually eliminated the United States from the export market for most items. With ample supplies available from traditional sources at attractive prices, there is little prospect for U.S. participation in dairy product trade in the coming year.

THE PROMISE AND PROBLEMS OF TRADE

The benefits of our agricultural trade are far-reaching. Awareness of the importance of our export program has spread very rapidly in the past few years. That awareness is bringing increased support for overseas market development work from many groups--agricultural organizations, the food trade, and, more recently, State marketing agencies.

With that preamble, I want to bring into sharper focus some of the promise and problems connected with our exports--especially commercial exports.

Benefits of trade: By any standard, the growth of our agricultural exports is one of the major agricultural success stories of this era. Exports are outstanding, whether measured by rate of growth, size attained, impact on the national economy, or influence on foreign policy.

The figures I'm going to cite may be old hat to some of you. But I think they bear repeating every once in a while.

U.S. shipments account for over a fifth of world agricultural exports.

Shipments of three commodity groups--wheat, feed grains, and oilseeds--topped a billion dollars each in 1966.

Our 1966 exports would have filled 1.6 million freight cars. That's enough to make three solid trains stretching across the United States from San Francisco to New York City.

Farmers, of course, gain from exports. Last year's exports were equivalent to 17 percent of the \$39.2 billion in cash received from farm marketings in 1965. Crops from one out of every four acres harvested moved into export channels.

America's workers gain. Exports provide employment for workers connected with warehouses, processing plants, railroads, port facilities, ocean transport, and related links of the marketing chain.

American businessmen benefit. Exports mean expanded volume for the many enterprises connected directly or indirectly with agriculture. Included are businesses interested in farm machinery, fertilizer, bags, milling, warehousing transporting, financing.

Dollar sales and the balance of payments: A key feature of the agricultural export program has been the rapid increase in sales for dollars. Cash sales increased from an average of less than \$2.4 billion in 1954-57 to \$5.1 billion in 1966--more than double. Over the same period, shipments under the Food for Freedom program increased from an average of \$1.2 billion to \$1.6 billion in 1966, a gain of only a third.

The rise in dollar marketings has contributed greatly to our balance of payments--and that helps the nation as a whole. The balance of payment picture shapes up like this:

Between the calendar years 1960 and 1965, \$23.6 billion worth of U.S. farm products were sold abroad for cash. That return, of course, offset the same amount of dollars flowing abroad in the form of payment for merchandise imports, services, foreign investment, tourism, and military and economic aid.

But dollar exports do not tell the whole story. Over the 1960-65 period a total of \$1.4 billion in balance of payments help was received through features of Public Law 480. For example, the Government was able to avoid some dollar outlays by using foreign currencies generated under the P.L. 480 program to pay such bills as embassy expenses, military obligations, and Government contributions to agricultural market development programs. The total also includes savings made by bartering U.S. food and fiber for goods and services--as well as repayment of loans and interest in dollars under the long-term credit program.

The contribution of agriculture to the U.S. balance of payments between 1960 and 1965, then, consisted of \$23.6 billion worth of farm product exports for dollars, plus the \$1.4 billion of "avoided dollar outlays" I just mentioned--for a total of \$25.0 billion. Calendar year 1966--which will be the biggest export year thus far in our history--will add about \$5 $\frac{1}{2}$ billion more in balance of payments help. That will bring the grand total for the 7 years to well over \$30 billion. It's an impressive total. It's an impressive contribution.

But we can't spend too much time in looking back. Further increases in agricultural exports must come in the period ahead. And we ourselves can help to assure those increases with our market development program.

With market development, we are taking an active approach to trade. We know now, beyond the shadow of any doubt, that we must get out and sell our farm products just the same as U.S. private business merchandises its automobiles, furniture, clothing, and other goods.

Our current development program encompasses some 45 trade and farm groups working with the Foreign Agricultural Service in about 70 countries. Overseas, the cooperation of 200 foreign trade associations gives us what we call a "multiplier effect." The overall program gives us very powerful selling leverage.

And it is working. Let me cite one example.

Back in 1956 the United States began to promote use of U.S. wheat in Japan. Early education and demonstration projects were followed in a few years with more "hard sell" effort, directed primarily at trade associations, millers and bakers. Still later, Government, State and industry officials in the United States joined in successful efforts to obtain reduced rail rates on wheat moving to West Coast ports. Reduced rail rates have brought lower prices, improving our competitive position vis-a-vis other wheat exporting countries. Japanese importers also have welcomed the positioning of wheat on the West Coast. Today Japan is the biggest dollar buyer of U.S. wheat. Japan's purchases in fiscal year 1966 totaled 71 million bushels, valued at \$114 million.

Our overall market development program continues to evolve as situations change and as we gain in experience.

For example, we have taken a new look at our overseas food exhibits, which are a prime method of selling our products. At one time we aimed these exhibits mainly at consumers. Today, we also make a special effort to reach the trade--the importers, wholesalers, distributors, and others in a position to buy substantial volumes. At the big IKOFA food show at Munich

a few weeks ago, American food industry people wrote orders that will mean some \$4,250,000 in new business over the next 12 months.

We have found that point-of-sales promotion such as counter cards, printed material, and the like, which are familiar to American shoppers, also works overseas. In-store promotions for U.S. goods are being arranged for 1967 in England, Holland, Belgium, France, Germany, Austria, and Japan.

Market development was given new impetus this year by participation of State agencies in the Munich show--the first time that a number of States have taken part as a group in an overseas food exhibit. Seven States--Illinois, Louisiana, Maine, Michigan, Minnesota, New York, and Pennsylvania--displayed their distinctive products. The experiment was successful. Sales of some products were large--and interest was keen. We expect to see States taking part in other foreign exhibits as time goes by.

But let me add this footnote to market development: When we develop a market, we impose upon ourselves some responsibility for keeping it supplied. Unless we can build a reputation as a reliable source of supply, our customers may begin to look to other countries for needed products.

Customer concern was illustrated last summer at a Japanese-American trade conference in Washington when the Japanese Ambassador to the United States said: "As we all know, there are indications that the age of surplus is nearing an end. In this new setting, the question arises whether the United States can remain a stable supply source for Japan and whether U.S. agricultural exports can be priced competitively. Since Japan today is the largest cash buyer of U.S. agricultural products, you will understand why these questions are matters of great concern to us."

Agriculture Secretary Freeman replied in these words, "I want to assure you, Mr. Ambassador. . . that we do have adequate supplies. The United States has adequate reserves, plus the capacity to produce a good bit more.

We now have some 60 million acres that we 'buy out of production'. . . When we need to produce more, we will merely put that land back into production . . . " That ends the Secretary's words.

Circumstances arise, of course, when it becomes impracticable to furnish foreign customers with all the products they'd like to get. For example, what happens when the citrus crop is sharply cut by hurricane or freeze? In such situations, the market itself, through the workings of supply and demand, determines the priorities. Usually the U.S. price rises well above the foreign price--which means that the bulk of the citrus flows to domestic customers. This is natural and normal. And foreign buyers understand what is natural and normal within the market place itself. But to get back to my original point: We do create a special supplier-customer relationship when we develop a market. Because of this, we may need to make special efforts at times to carry out our particular responsibilities.

Let me say, in conclusion, that the responsibilities of American agriculture will continue to grow.

We have responsibilities under the Food for Freedom program, which Dorothy Jacobson will discuss with you in a moment.

We have responsibilities, as the world's leading commercial exporter of farm products, in helping to maximize the benefits of comparative advantage throughout the Free World.

These are responsibilities that enhance the importance of U.S. agriculture as a force for good in this world. And these are responsibilities that enhance in very great degree the importance of our individual jobs as members of the agricultural team.

Thank you.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

AGRICULTURAL MARKETS IN CHANGE
-- Domestic and International --

Talk by Kenneth E. Ogren
Director, Marketing Economics Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 2 P. M., Monday, November 14, 1966

The big story in agricultural markets is CHANGE. While change has been going on in agricultural markets for a good long time, the important story today is accelerating change. The questions that come out of this are not concern about change, although many of us really don't like change. But the concern is properly with the adjustments to change that will be necessary--adjustments by the farmer-producer, by the marketer, by the consumer. And no less important, by a whole host of governmental bureaucrats (local, State, and Federal)--regulatory, service, research, and extension.

The overall theme of my discussion this afternoon is to talk about this phenomenon of change and to focus on two aspects of it: First, the impact of change in our national market setting; second, on the international setting. 1/

This subject is especially timely at this Outlook Conference because our storehouse of knowledge about change in agricultural markets has been greatly expanded in recent months by the reports from the NCFM. My aim today is not so much to impart a lot of information, but to stir your interest to further examination and study of these reports. 2/

The NCFM--A Medical Examination

Congress chartered the Food Commission in mid-1964 to study and appraise change: (1) the impacts of change in our food industry that had taken place; (2) the changes likely to materialize if present trends continue; and (3) the kind of food industry that would "assure efficiency",

1/ Most of my discussion will center on the food marketing system. It is after all by far the major part of all agricultural markets; it is the part which we are now blessed with a large amount of new information.

2/ Because I will only scratch the surface of this large subject, the appendix to this paper lists references to recent reports from the NCFM, ERS, and other sources.

"provide appropriate services to consumers", and "maintain acceptable competitive alternatives" throughout the industry.

The Food Commission in late June issued its main report, followed by the 10 technical studies (and 12 supplements) prepared by the Commission staff. Included in these reports are about 3,800 pages and about 1,800 statistical tables. The technical studies of the Commission are a massive addition of data and information about the food marketing system. The high ratio of statistical tables to total number of pages suggests there is much yet to be done to fully analyze and interpret the meaning and significance of the data and evidence collected by the Commission and its staff.

To condense this mass of printed material to manageable proportions is no easy challenge. A British free-lance woman journalist did a masterful reporting job. I highly recommend her entire article. Reproduced here are the opening two paragraphs that succinctly sum up the setting for the inquiry and the "flavor" of the major findings of the study:

On June 27, the report of the National Commission on Food Marketing went to Congress, after two years of diligent study on every major facet of the food industry. It had been rather like the rigorous medical examination of a patient who believed he was healthy, but whose doctor thought he detected dangerous symptoms. Is America's largest industry as well as it claims to be, or is it malfunctioning, and if so, where, and what can be done about it? Predictably, the 113-page diagnosis (plus ten separate studies) has a lot to say for both sides. The patient is in pretty good shape, but there are no grounds for complacency: enough is wrong to warrant a good deal of concern, some government action and a lot more investigation.

The maladies, says the report, are nobody's fault, and are certainly not caused by attempts of manufacturers and retailers to bilk either the farmers or the public. Rather, they stem from new facts of economic life of the last twenty years: the swing from a production to a marketing orientation, the startling technological changes in agriculture and food processing, the population growth and the emergence of a new, wealthy consumer who uses food not merely as something to eat but as an outlet for affluence. 3/

3/ Jennifer Cross, "Prescription for a Sick Industry," The Nation, September 19, 1966, p. 245; reprinted in "Congressional Record," Vol. 112, No. 155, September 14, 1966, pp. 21615-17.

The Commission "doctors" did make conclusions. They even ventured suggestions on how to improve the patient's state of health, albeit they disagreed sharply on whether their charter to examine the patient encompassed the formulation of prescriptions.

The most significant and controversial part of the Commission's report is its Chapter 12 "Overview and Appraisal" and its Chapter 13 "Conclusion on Needed Changes in Public Policies, Statutes, and Government Services." It is here that the Commission in effect says that it is not only the state of health of the "patient" himself that matters but how his performance affects the welfare of both farmers and consumers. Proposals in Chapter 13 are focused in a large way on ways to change the position of the farmer and the consumer vis-a-vis the marketing system. Equity to farmers and consumers is not to be achieved solely from change and adjustment internal to the marketing system.

A further evidence of the importance of change comes from looking at the change in the 2-year period of the Food Commission's existence. When it came into being, beef cattle prices were at the lowest level in 7 years. Strong suspicions that the marketing system was not returning to beef producers their equitable share was perhaps the most important trigger leading to the congressional authorization of the Commission in mid-1964. Two years later when the Commission made its report, the pendulum had indeed swung a long way. Then beef cattle prices were at the highest point in 7 years. Retail pork prices were high; bread and milk prices were going up. Consumers were seemingly more displeased than farmers with prices in the marketplace.

During this 2-year period, supply-demand balances for several important agricultural products changed markedly and put new strains on the marketing system. Shifts came about in part because of (1) the escalation of the war in Viet Nam, (2) new and changing Government programs, (3) climatic conditions in which drought hit vital fruit and vegetable areas, dairy pastures, etc., and (4) the continued shifts out of agriculture as well as within agriculture.

The product array in the typical supermarket also changed in the 2-year period. It is estimated that each year approximately 1,500 new grocery items are added to the shelves in supermarkets in this country. Of these 1,500, approximately 500 survive the first year. Thus, in a 2-year period, about 1,000 new food items may have been added. An average supermarket stocks 7,000 more items on its shelves; thus, the additional 1,000 new items added in the past 2 years represent a changeover of around 15 percent. These statistics have added significance from a retail price standpoint since many new products are cost-increasing until sufficient volume is attained.

The Outlook: More Change, Growing Interrelationship,
Less Tradition

The following are a few selected quotes from the Commission's technical studies with respect to the future--selected but not unrepresentative.

Increasingly, the poultry industries will take on characteristics of the industrial economy and bear less resemblance to traditional agriculture....

The growing trend toward further processing of chickens and turkeys seems certain to continue as innovating firms turn out poultry meat products more convenient for routine family consumption. Such innovating firms are likely to be the major ones that can effectively employ talented research staffs....

The overall bargaining advantage of the large firm in selling relative to its smaller competitor is enhanced even more as it achieves success in building consumer preferences for its products....

New product development is being stressed more vigorously; some new products may become highly differentiated....

There has been an effort by flour millers to increase production of end items, thus speeding the trend toward integration and product diversification....

Millers' use of flour to produce consumer-oriented products will accelerate....

The sale of private label [dairy] items will increase....

[Dairy] plant and firm numbers will continue to decline....

A dominant aspect of competition in the cereal industry continues to be new product development and introduction....

Marketing methods employed by grocery manufacturers probably will move further away from price competition and rely more and more on advertising and sales promotion....

The breakfast cereal industry is expected to continue to provide an example of an industry that constantly adjusts and in many respects strengthens the trend to increased consumption of convenient-to-use, highly processed foods through

new product development and constant advertising. The rise of product differentiation, particularly advertising, is the primary barrier to entry in food manufacturing....

These and other projected changes are dramatic not singly but when aggregated and when we take into account the accelerating tempo of change and the greater reach of change in both spatial and temporal dimensions. But, what about the future? First, let me advance the general proposition that change is now taking place most rapidly in the most highly modernized country in the world, the United States. If we are to continue to be the front runner in this race, we will necessarily have to change at a more rapid rate in the future because the rate of change among our closest competitors also is accelerating.

If you accept my hypothesis of an ever-increasing rate of change in the overall economy, you will have less difficulty I think in accepting the corollary that there will be an increasing tempo of change in the agricultural production-marketing segment.

Now to summarize and be more specific to the food production-marketing system, likely trends, implications and adjustments.

(1) Growing emphasis on a market-oriented food industry. More stress on selling and nonprice competition such as advertising and sales promotion. More "new" products and efforts at product differentiation, much of which the Commission (majority) report called trivial and without real value to consumers.

(2) More technology applied by food marketing firms--research both to develop new products and to get the processing and distribution jobs done with fewer resource inputs. Upward pressure on cost-rates of these inputs will accentuate this trend. Restaurants and other food-service industries may be on brink of most far-reaching application of technology.

(3) These changes listed above lead to a competitive environment that small firms will find increasingly binding. Larger size firms and greater concentration in many industries are likely. More diversification and vertical integration. More conglomerate giants.

(4) Thus, a changing role for the food marketing system. Its classic or traditional price-making role has been and will be continually altered. Food marketers will do much more than buy and sell products and move them from producer to consumer. The

supermarket will specialize in selling a market basket of services, not a market basket of farm products. Differentiations between food and nonfood, between food of farm and nonfarm origin will receive less attention.

(5) The farmer--more specialized, continued breakthroughs in farm-production technology, less inputs from his own resources, more of an industrial orientation and less of a family-farm orientation in the traditional sense. Fewer buyers for his produce, less opportunity to find a ready market for his product at the time, the form, and the place where he is ready to offer it for sale, less access to price quotations from terminal markets on a continuing basis. He will need to increasingly coordinate his decision-making with the off-farm segment of the food industry. In the Commission's words "there is frequent need for group action by farmers to adjust sales more uniformly to market demands at reasonable prices, to improve product quality and uniformity, to negotiate with the buyers, and to protect themselves against trade practices and abuses of market power to which they are otherwise vulnerable." 4/

(6) And finally, the consumer. The newly wealthy American consumer who uses food not only for something to eat, but as an outlet for affluence. Made possible because national income, in constant dollars, has increased more in the last 20 years than in all of our history.

The consumer does not directly choose what products will appear on the grocery shelves, but her choices from these offerings determine what products are successes and which are failures. "The consumer is, indeed, a sovereign; but she is not, as she is so often told, an all-knowing, all-powerful, and fully-served sovereign." 5/

An indication of the changing consumer's position is the potential rapid growth of the away-from-home market for food. Recently we prepared a projection of a possible change in the size of this market in the next 10 years, making certain assumptions about increases in population, larger consumer income, more wives working, and more recreation. We found that the size of this market, as a conservative estimate, might rise by 75 percent in a period of 10 years compared with a population increase of about 15 percent. 6/

4/ Food from Farmer to Consumer, p. 110

5/ Ibid., p. 101.

6/ Kenneth E. Ogren, "Marketing Research. A Tool for Decision Making," spring meeting of the Society for the Advancement of Food Service Research, Washington, D.C., April 18, 1966

Change can arise with the farmer, the marketer, or the consumer. But its impacts and necessary adjustment flow throughout all segments of the food industry. Change brings interdependency; the more rapid the tempo, the greater the interdependency. What are called traditional production and marketing systems, I define as systems largely unchanging and largely self-sufficient or independent. No clear-cut line, however, divides in all aspects our highly modernized system from a traditional one.

The International Scene

The traditional aspects of our own production-marketing system are by no means unimportant in our economy. Nor will they completely disappear in the near future. But it is in many foreign countries that these traditional elements are now of overwhelming importance and will continue to be so, but at a declining rate. Our production-marketing system in the United States has gone through a significant evolution in the last 100 or more years. Many barriers that kept us from having a truly national market have been wiped out.

These barriers can be classified into three types: (1) technological, (2) socio-economic, (3) legal-political and other institutions. In the early days, products could not be transferred great distances because there was not the means of doing it--transportation, packaging, etc. And if there were, there was not the means of preserving the perishability of many products. Consumers did not have the money to buy the products. Furthermore, their tastes and preferences were not developed to accept the products from other regions of the country. And even if all these conditions were met, often there were legal restrictions that impeded the movement of products across state lines. The fathers of the city of New York once decided it was time to stop every Yankee sloop from Connecticut and every Jersey market boat because trade in firewood, butter and cheese, and chickens and garden vegetables was ruinous to the domestic industries of New York. This was a long time ago, but oleomargarine taxes are within the experience of all of us here today.

Not all these barriers have been broken down, but mostly they have been in the United States. Most consumers have enough income to buy citrus from the South, potatoes from the West, apples from the North whenever they choose and when the product is available. More fresh strawberries will be bought when air freight is both faster and cheaper. Thus, we have moved a long way towards a one-market inter-connected and interrelated by a whole web of markets in this country.

Are we not also moving in this direction on the international side? Legal, political, economic, social, technological--all of these barriers are quite important for most agricultural products that involve our trade with

most countries. But will they not inevitably be eroded in the years ahead? And the time spans involved with giant jet transports may be shorter than between the examples of New York City and oleomargarine taxes.

The dimensions of agricultural markets will surely expand in every sense of the word. Nationally uniform standards for food products have a 50-year history in the United States. This month delegates from about 40 countries are meeting in Rome to hopefully move a little closer to international standards for food. ^{7/} Delegates at Geneva have for several years been in the process of negotiations aimed at lessening tariff and other trade barriers; these delegates represent countries with the great bulk of world trade. United States firms are expanding their activities in processing and marketing food in foreign countries; this also will speed up interrelationships on the international scene and lessen both social and technological barriers.

The questions on the international as well as the national will be ones of adjustment to change. The adjustment process we are now experiencing in the United States will no doubt occur in the less developed countries as they experience change. Modern-day communications may, in fact, make the adjustment processes more difficult because they will not have the same opportunities that the Western nations have had to an indigenous (and thus more orderly) development.

I have been concerned in my discussion today with pointing out important aspects of agricultural markets in change, the meaning and significance of them, without interjecting any more than possible any value judgments of my own about whether these changes are good or bad. In closing, I do interject one value judgment: If there be any genius among us, his efforts should be directed to figuring out how best to adjust to change rather than how to preserve the traditional ways of doing things. Government, along with producers, the food industry, and consumers and their representatives, should seek to accommodate change by developing needed programs to accommodate the impacts of change rather than resisting change because it disrupts traditional institutions and ways of doing things.

CHANGE, while it disturbs tradition and incurs adjustment costs on the part of participants, is the key to progress and the reason our system has been as progressive as it has. Acceleration of change is the outlook for the future. The efficacy of our adjustment to this change will be the key to the quality of our progress.

^{7/} This is the 4th General Session of the Codex Alimentarius Commission operating under the auspices of the United Nations. ("An International Food Code," Agricultural Marketing, USDA, October 1966.)

Selected References on Food Marketing

A. Publications of the National Commission on Food Marketing:

Food from Farmer to Consumer, June 1966, 203 pp.

Technical Study No. 1, "Organization and Competition in the Livestock and Meat Industry"

Supplement No. 1, "Structure and Conduct of the Commercial Cattle Feeding Industry"

Supplement No. 2, "Economies of Scale in Cattle Slaughtering Plants"

Supplement No. 3, "Economies of Scale in Cattle Feeding"

Supplement No. 4, "Labor Cost of Slaughtering Hogs"

Technical Study No. 2, "Organization and Competition in the Poultry and Egg Industries"

Supplemental Appendix to Technical Studies 1 and 2

Technical Study No. 3, "Organization and Competition in the Dairy Industry"

Supplement No. 1, "Cheese Production in the United States"

Technical Study No. 4, "Organization and Competition in the Fruit and Vegetable Industry"

Supplement No. 1, "Import Competition in Fruits and Vegetables"

Supplement No. 2, "Study of Selected Government Services Used by Shippers and Receivers of Fresh Fruits and Vegetables"

Supplement No. 3, "Federal and State Enabling Legislation for Fruit and Vegetable Marketing Orders: Evolution and Current Status"

Technical Study No. 5, "Organization and Competition in the Milling and Baking Industries"

Technical Study No. 6, "Studies of Organization and Competition in Grocery Manufacturing"

Technical Study No. 7, "Organization and Competition in Food Retailing"

Supplement No. 1, "Excerpts from Super Market Institute Figure Exchange Reports 1954-1964"

Supplement No. 2, "Miscellaneous Statistical Data on Food Retailing"

Technical Study No. 8, "The Structure of Food Manufacturing"

Technical Study No. 9, "Cost Components of Farm-Retail Price Spreads for Foods"

Technical Study No. 10, "Special Studies in Food Marketing
--Private Label Products in Food Retailing
--Retail Food Prices in Low and Higher Income Areas
--Notes on Economic Regulation"

Supplement No. 1, "Frequency of Use of Private Labels by Distributors, 212 Foods"

Copies of the general report and technical studies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402. In addition to the reports, records of hearings held by the National Commission on Food Marketing are on file in the National Agricultural Library.

B. Papers presented at the annual meeting of the American Farm Economics Association, August 1966:

"Light Shed on Marketing Institutions and Policies in Food Commission Inquiry," George Brandow, Pennsylvania State University.

"The Food Industry and the Food Commission Report," Robert Aders, Kroger Company.

"Universities and the Food Commission Report," Charles French, Purdue University.

"Government and the Food Commission Report," Kenneth E. Ogren, Economic Research Service, USDA.

These papers will be released through the December issue (proceedings issue) of the Journal of Farm Economics. Single copies of the December issue of JFE may be obtained from the Secretary-Treasurer C. Del Mar Kearl, Department of Agricultural Economics, Cornell University, Ithaca, New York.

C. Selected departmental publications:

Agricultural Markets in Change, AER-95, July 1966, 396 pp.

This report discusses past and perspective changes in markets and marketing functions for agricultural products. It gives a broad view of trends, prospects, and impacts of agricultural marketing in the mid-1960's. The report may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Agricultural Marketing--Vital Link Between Farmer and Consumer, Mktg. Bull. 36, March 1966, 26 pp.

The publication provides a visual overview with a brief commentary of the changes that have occurred in the movement of the Nation's output of food and fiber from the producer to the consumer. This publication may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Food Costs, Misc. Pub. 856, September 1966, 15 pp.

This report provides a graphic review of trends in retail and farm prices along with the marketing spreads. It also touches on prices of inputs used by marketing firms such as labor costs. Profits of leading corporations marketing food products are given.

What Makes Food Prices?, ERS-308, August 1966, 4 pp.

The report furnishes a concise picture of what makes food prices and why they vary from time to time. Almost a million copies of this report have been distributed upon request in the past 2 months.

THE AGRICULTURAL SITUATION AND OUTLOOK FOR 1967

Talk by Rex F. Daly*

Chairman, Outlook and Situation Board
at the 44th Annual Agricultural Outlook Conference,
Washington, D.C., 10:45 A.M., Monday, November, 14, 1966

Another good price and income year is in prospect for farmers in 1967, even if realized net farm income does not quite measure up to the near-record 1966 level. This is the best judgment we can make in the face of the greater-than-usual uncertainties in the agricultural outlook for 1967.

Prospective developments for the next 6 to 9 months seem fairly clear. But the picture becomes a bit more blurred than usual as we project further into the 1967/68 marketing year. Among the uncertainties in the economic outlook for 1967 are possible changes in the Viet Nam conflict and their impact on the general economy and agriculture; new grain programs with added acreage and their influence on 1967 crop output; and foreign crop prospects and their effect on export markets.

Agriculture in Mid-'Sixties

Agriculture entered the decade of the 'sixties facing the prospect that its productive capacity would continue to exceed market outlets. There was much speculation about how this national asset could be

used in providing abundantly for domestic markets and in furthering foreign policy objectives. Since 1960, some major changes have taken place in agriculture, changes important in the outlook for 1967 and for several years beyond.

Domestic utilization of food and other farm products this year will total some 10 to 11 percent above the 1959-61 average. The increase reflects population growth of about 9-1/2 percent and a small increase in per capita use. Exports of farm products in calendar 1966 are estimated around a third larger than in 1959-61. Over the same period, Government programs have limited the output from our growing productive capacity. The imbalance has eliminated burdensome carryover stocks of grains and generally tightened the supply-demand balance which will face U.S. agriculture in 1967. With declining stocks and a growing concern about scarcity, the production faucet is being turned back on, part way, in the coming year.

The task of gearing output to market demands is especially difficult for agricultural products. In the market they face a relatively inelastic demand, and output depends importantly on uncertain growing conditions. Events of 1965 and 1966 demonstrated again the highly inelastic nature of the demand for farm products -- supplies slightly too small or too large exert great pressure on prices.

*This paper draws heavily on work of the Economic and Statistical Analysis Division of the Economic Research Service, with assistance from other Divisions of ERS, and the Consumer and Marketing Service, Foreign Agricultural Service, and Agricultural Research Service.

Demand for Farm Products

At the risk of some duplication, I would like to develop important demand changes and prospects as a general backdrop for discussing supply, use and price prospects for farm products. Demand for farm products registered one of the largest advances of record during the past year. Consumers' per capita income after taxes through third-quarter 1966 was up nearly 7 percent from a year earlier. Per capita food consumption in 1966 will increase by about 1 percent -- a little more than usual (figure 1). Exports increased 10 percent from a year earlier to a record rate in 1965/66, and military takings increased by more than a tenth. Feed use, which accounts for around 40 percent of crop output, may total nearly a tenth larger than in 1965. With these larger-than-usual increases, total utilization in 1966 is exceeding production and will result in further declines in carryover stocks of grains.

Per capita consumer expenditures for food in 1966 will total around 6 percent above 1965. This larger-than-usual increase, compared with income gains, is due in large measure to the sharp advance in retail food prices last winter and spring when reduced supplies of pork, eggs, milk and vegetables coincided with rapid ex-

pansion in consumer income and military buying. Retail food prices this year will average 4-1/2 to 5 percent above 1965.

Demand Prospects for 1967

Domestic demand for food and fiber is expected to increase in 1967, but not so much as the whopping advance this year. Expanding output, more jobs, and prospects for a more rapid rise in wage rates in 1967 will increase consumer buying power and the demand for farm products.

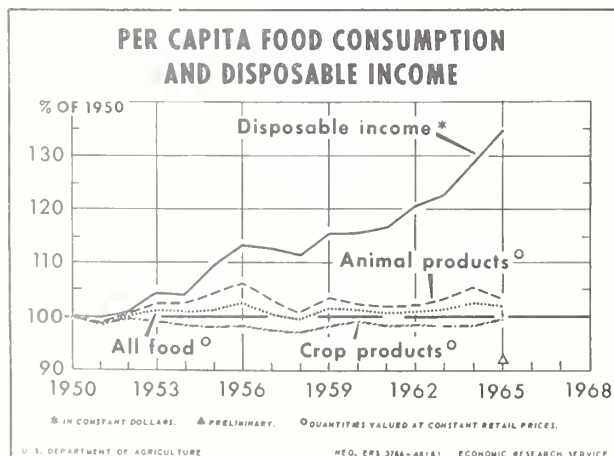
Farm output will likely increase by a sizable margin over this year, with much of the gain in grains, soybeans, hogs, poultry, and eggs. Producer prices for food and farm products as a whole next year may average close to 1966 levels; but wages, transportation and other costs of processing and marketing are expected to rise. Accordingly, a further increase is indicated for retail food prices. The rise is not expected to be anything like the big increase now indicated from 1965 to 1966. However, it is expected to exceed the average annual increase of 1-1/2 percent from 1960 to 1965.

Exports of Farm Products

Exports are taking a rapidly growing share of farm product marketings. The volume of crop exports, which account for most exports, is expected to total in calendar 1966 more than 35 percent above the 1959-61 average. Exports will represent nearly a fourth of 1966 crop output, compared with 18-1/2 percent in 1959-61.

Well over half our wheat and rice crops were exported in 1965/66, around 40 percent of the soybeans (including oil) and tobacco, and a fifth of the cotton and feed grain output. Producers of these crops naturally are vitally interested in export markets, as are producers of other crops and some livestock products.

Figure 1



U.S. AGRICULTURAL EXPORTS

Total, Commercial, and Under Government Programs
With and Without Export Payment Assistance

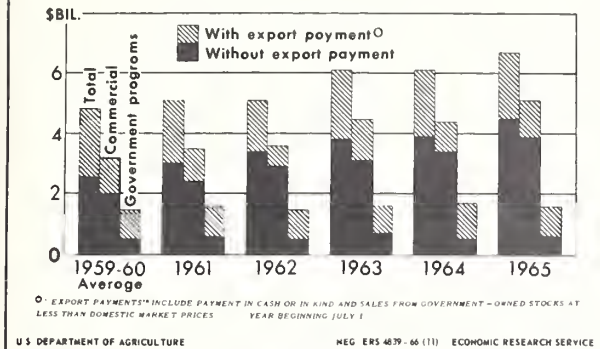


Figure 2

Exports of farm products rose to a record high of some \$6.7 billion 1965/66, a half billion dollars above 1964/65. Commercial dollar sales were up \$0.7 billion to \$5.1 billion, while shipments under Government export programs were off slightly to \$1.6 billion (figure 2). Prospects for 1966/67 point to another sizable increase in dollar sales, possibly as large as that of last year. Part of the increase will reflect higher prices for wheat, feed grains, soybeans and a number of other commodities.

Much larger exports of cotton and tobacco are likely for 1966/67 with increases also for soybeans, rice and citrus products. Exports of feed grains in the current marketing year may differ little from the record shipments in 1965/66. Although demand for feed grains is expected to increase, larger supplies in Argentina, Canada, and Yugoslavia and a generally improved feed-supply situation in Europe will tend to limit further expansion. Wheat exports, including products, may run as much as 10 to 15 percent below the record 867 million bushels in 1965/66. In addition to a tighter domestic supply situation, large wheat crops in Australia and Argentina and a record crop in Canada point to increased competition with U.S. exports. With an improved grain crop during the past season, the USSR will not

likely purchase large quantities in the world market this year.

Supplies and Prices

Supplies of several major livestock products were reduced, some sharply, last winter and through the first half of 1966. At the same time, demand for farm products was registering one of the largest advances of record. The result was a sharp rise last fall and winter in producer prices of livestock and products. Greatly expanded utilization of crops in 1965/66 was large enough, even with the record 1965 output, to further reduce carryover stocks of grains; grower prices for crops began to strengthen early in the year and in July-September averaged 6 percent above a year earlier.

Livestock Products

Hog slaughter during some weeks last winter ran 15 to 20 percent below a year earlier, and in first half 1966 slaughter was 9 percent below a year earlier. Egg production in January-June was down about 1-1/2 percent, but per capita supplies available for consumption were about 4 percent smaller. Milk production was about 4 percent smaller. Although slaughter of beef ran 6 percent larger and commercial poultry a tenth larger than in January-June 1965, prices received by farmers for all livestock and livestock products averaged 18 percent higher.

Since summer there has been a turnaround in hog slaughter and egg production and a continuation of high rates of slaughter of fed beef and poultry. With larger supplies, central market prices for such commodities as hogs, beef cattle, broilers, eggs, butter and cheese have declined from their summer highs in August and September (figure 3). By early November, prices for selected grades of these live-

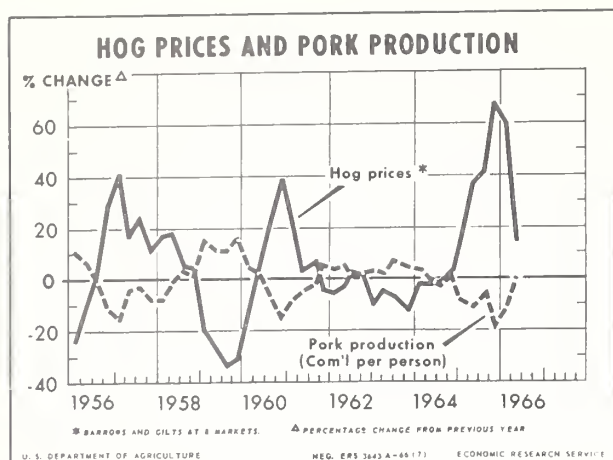


Figure 3

stock products at Chicago ranged from 5 percent to around 20 percent below summer peaks. These price declines were in part the usual adjustment to seasonally larger supplies.

Production increases now underway point to larger supplies of livestock products this winter and, except for milk, prices to producers are expected to average below the high levels of last winter. Fed cattle marketings this winter are expected to continue above a year earlier, though the gain is expected to narrow. Slaughter of nonfed beef is down and may continue this winter well below a year earlier. The increase in hog slaughter now underway may run, by early 1967, some 10 to 12 percent above the opening months this year; egg production may be 3 to 5 percent larger; and poultry slaughter is expected to continue into 1967 at rates well above a year earlier. Potential increases for poultry could be larger if demand conditions are strong enough and prices high enough to encourage the increase. Expansion in overall demand for livestock products will continue, but is not expected to match the big advance of last fall and winter.

Supply and price prospects for later in 1967 are as usual less clear. But the big changes in the livestock production mix

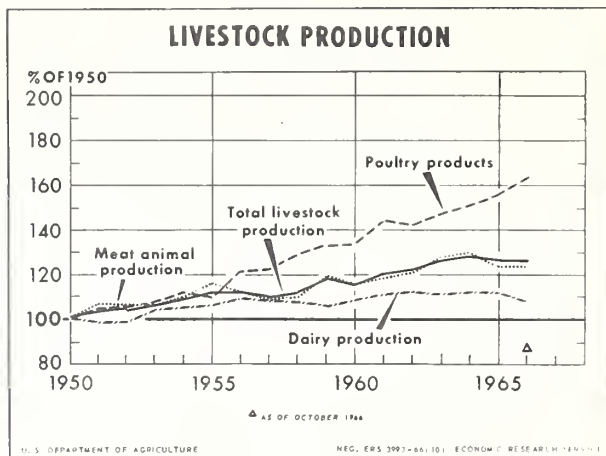


Figure 4

for 1967 as a whole point to a little less beef; more pork, poultry and eggs; and a little more milk than in 1966. Total production of livestock products, which was up slightly in 1966, may change little in 1967 from the near-record production rate this year (figure 4). Even with a slower expansion in demand next year, another good price and income year is in prospect for livestock producers.

Crop Supplies and Prices

Combined utilization of crops for food, feed, other nonfoods, and exports increased around 4-1/2 percent from 1965 to 1966. Year-to-year increases for food

Table 1.--Crop supply and utilization, average 1959-61, annual 1965 and 1966

(1957-59 dollars)					
Item	: Average: : 1959-61:	: 1965	: Est. : 1966	: Percentage	
				: change from--	
				: 1959-61 :	: 1966 :
				: to 1966 :	: to 1966 :
	: Bil.	Bil.	Bil.	Pct.	Pct.
	: dol.	dol.	dol.		
Supply:					
Production	: 20.2	22.5	21.7	7.2	-3.4
Imports	: 3.3	3.0	3.2	-2.4	4.7
Total	: 23.5	25.5	24.9	5.9	-2.4
Utilization:					
Domestic use:	: 19.4	20.3	20.9	8.1	3.1
Food	: 8.1	8.6	8.8	9.2	2.1
Feed, seed	: 8.5	8.6	9.1	7.3	6.4
Other non-					
food	: 2.8	3.1	3.0	7.0	-3.5
Exports	: 3.8	4.6	5.1	36.1	11.2
Total	: 23.2	24.9	26.0	12.6	4.6

CORN PRODUCTION, USE, AND CARRYOVER

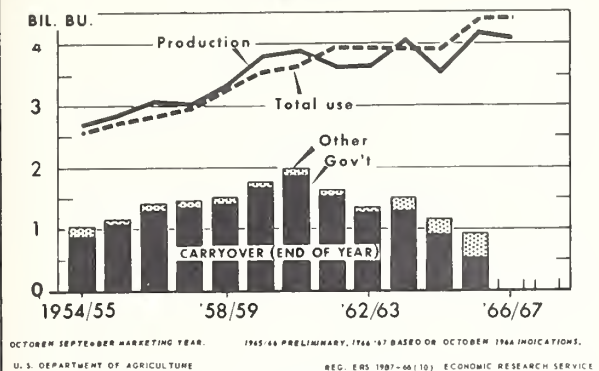


Figure 5

and nonfood uses (other than feed) are usually small. But with feed use and exports around a tenth above 1965, the annual gain in total utilization far exceeds the average annual increase since 1960 (table 1). Prospects for continued high utilization, a smaller 1966 crop, and reduced carryover stocks of grains make for a generally tighter crop supply-demand balance for the 1966/67 marketing year.

Utilization of corn has exceeded production every year but one since 1961. With production limited by acreage diversion programs, the carryover was reduced from 1.9 billion bushels in 1961 to 0.9 billion this year (figure 5). With prospects for continued large domestic use and ex-

ports in 1966/67, utilization will again exceed the 1966 crop. The stock decline indicated would reduce the carryover next October to perhaps a half billion bushels. Prices for feed grains in the 1966/67 marketing year are expected to average somewhat above those of the previous 2 years.

Soybean production has continued to rise in recent years. But, with increases in domestic use and large gains in exports, total utilization has matched production increases, keeping carryover stocks at low levels (figure 6). Although the estimated 1966 crop is up 10 percent, prospective utilization points to a close supply-demand balance again in 1966/67 with prices averaging well above the support level.

Wheat utilization has exceeded production since 1962 as voluntary acreage diversion programs have limited output. The carryover was 536 million bushels last July; in 1961 it was over 1.4 billion bushels. Although some decline in domestic use and exports is expected in 1966/67, utilization will again exceed the 1966 wheat crop and further reduce carryover stocks (figure 7). The season average price received by farmers is expected to be well above the \$1.34 per bushel in 1965/66.

The supply-utilization balance for cotton has been a different story--produc-

Figure 6

SOYBEANS

Supply and Disposition

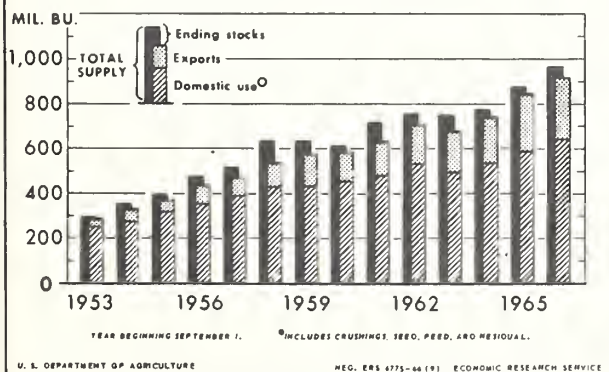
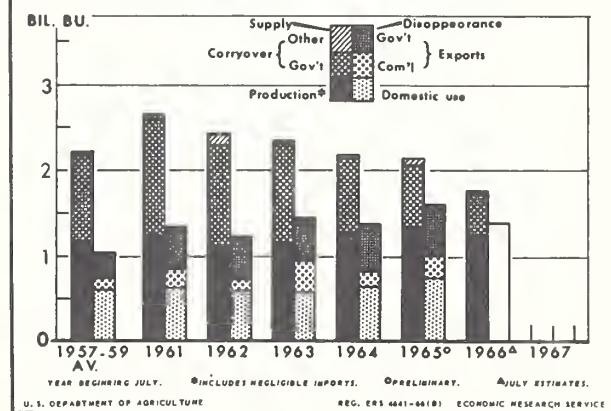


Figure 7

WHEAT SUPPLY AND DISAPPEARANCE



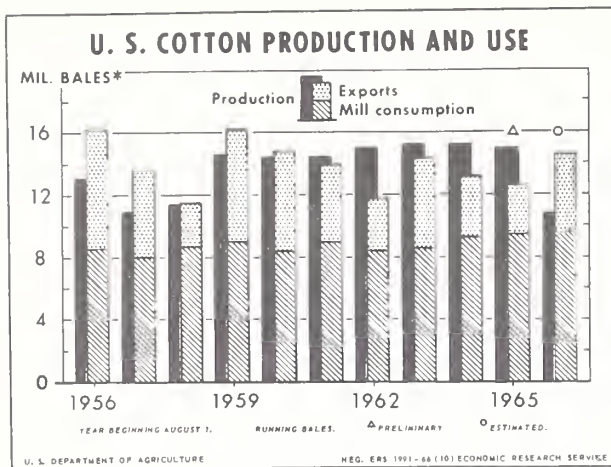
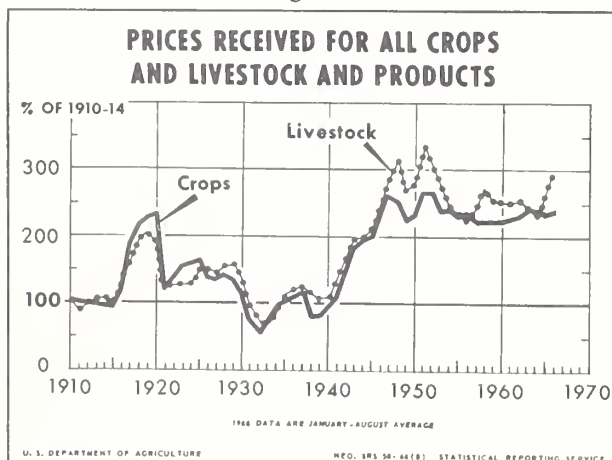


Figure 8

tion has exceeded utilization every year since 1961. By August this year the carry-over of cotton had risen to nearly 17 million bales (figure 8). Under the 1966 Cotton Program, producers diverted about 4-1/2 million acres, reducing planted acreage to the lowest level in nearly a century. The 1966 crop is estimated a fourth smaller than the 1965 crop -- 11 million bales. With prospects for a big gain in exports and continued large domestic use in 1966/67, record stocks of cotton may be reduced by as much as 4 million bales.

The somewhat more stringent supply situation in prospect for major crops suggests that prices to producers will be well maintained during the 1966/67 marketing

Figure 9



year. Crop prices received by farmers averaged below year-earlier levels until June. But they strengthened when unfavorable early-season growing conditions pointed to smaller 1966 output of some major crops. Grower prices for crops in mid-October averaged 5 percent below the high for the year in mid-July. However, they continue above a year earlier, and crop prices for the year may average slightly above 1965 (figure 9).

1967 Crop Prospects

Only slightly smaller 1966 crops are indicated for feed grains, wheat, and vegetables. Larger crops are estimated for soybeans, rice, citrus, and sugar. But with the big decline in cotton production, total crop output this year is estimated about 4 percent smaller than the record high in 1965.

Prospects for further expansion in domestic use and exports in 1967 have prompted a number of actions to attune agriculture's productive capacity to expanding markets and the need to rebuild carryover stocks of grains. The new feed grain program for 1967 crops eliminates voluntary acreage diversion for payment, except on small farms. It also increases the price-support loan on corn from \$1.00 to \$1.05 per bushel, with comparable increases for other feed grains. These and other related changes are expected to increase feed grain acreage by perhaps 12 to 15 million from the 120 million acres planted in 1966. The 1967 wheat program increases the acreage allotment by about one-third; the 1966 rice allotment was increased 10 percent from 1965.

In total, 25 to 30 million of about 60 million diverted acres could be brought back into production in 1967 (figure 10). This year crops were harvested from around 300 million acres. If about half the diverted acreage comes back into

production in 1967 and growing conditions are average or better, a substantial increase in crop output would be expected, with most of the increase in grains. Even with continued expansion in demand, the potential increase in 1967 crops probably would result in some rebuilding of carry-over stocks.

Farm Income

Production prospects for 1967, both for crops and livestock products, point to larger marketings of farm products next year. Much of the expected increase would be in 1967 crops for market in 1967/68. Although crop prices in 1967 may average a little below this year, farm product prices as a whole are expected to hold close to the 1966 level of prices received. Accordingly, we look for larger cash receipts from farm marketings in 1967. Government payments to producers would be smaller, perhaps by around half a billion dollars, as more acreage is returned to production. On balance, gross farm income next year may continue around record 1966 levels (figure 11).

Farm production expenses will continue to rise with further increases in prices paid by farmers and a larger volume of purchases of some inputs, particularly those directly related to increasing crop output. But the increase will likely be much smaller than the record year-to-year increase now indicated for 1966. Farmers are paying higher interest rates, more taxes, and higher wages for hired labor as are producers in most other industries. The interest and tax bill will continue to rise, but probably much less than this year. The wage bill may change little from 1966 as declines in hired farm labor offset higher wage rates.

Rising farm incomes and prospects for expanding output in coming years have led to record buying of farm machinery

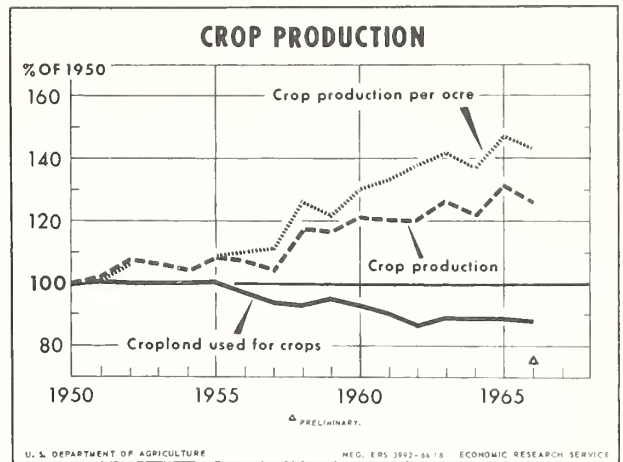
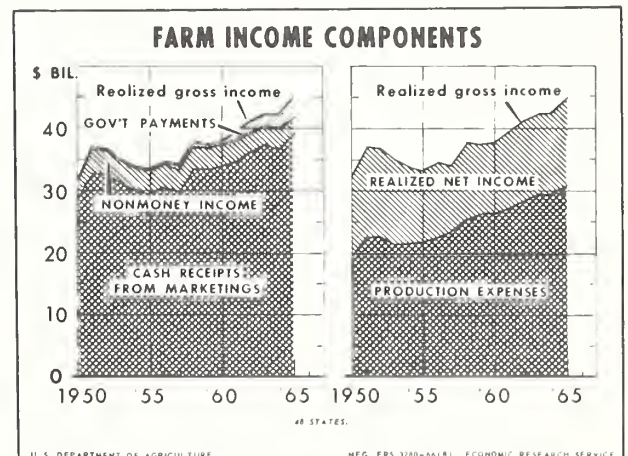


Figure 10

and equipment so far this year. Data for January-July 1966 show farm tractor sales to farmers around 15 percent above a year earlier. Sales of other farm machinery and equipment are up more than a fifth with even larger increases for some grain harvesting equipment. These increases follow large capital outlays in recent years.

Realized net farm income is now estimated at around \$16 billion for 1966, some \$2 billion above last year and the highest since the record level of 1947. Price and income prospects for both crops and livestock products continue strong well into 1967. Even with big increases in 1967 crops and some buildup in grain stocks, the income flow to farmers likely will be well maintained. Although realized

Figure 11



net farm income in 1967 may not quite match the near-record level estimated for this year, it is expected to be well above 1965. If you pushed me for a more specific estimate of the decline, perhaps as much as 5 percent is reasonable. With the down-trend in farm population and increasing off-farm employment opportunities, per capita disposable income of farm people next year may change little from the record 1966 level.

Farm Financial Situation

With net farm income in 1966 showing a further rise for the second consecutive year, farmers generally will enter 1967 in a considerably improved financial situation. The value of farm assets is expected to reach \$273 billion on January 1, 1967; this is about \$18 billion higher than a year earlier and slightly more than the increase during 1965. A \$35-billion increase during the past 2 years exceeds that of any previous consecutive 2-year period since balance-sheet estimates began in 1940. While total indebtedness increased, proprietors' equities increased by \$14 billion, about the same rate as in 1965.

Unlike other recent years, the availability of mortgage credit to farmers was materially restricted in 1966 and interest rates increased, particularly in the latter half of the year. In late August and September, most types of central money market interest rates had reached the highest levels since the 'twenties. This tightness in the supply of credit and the higher level of interest rates are expected to carry over into the spring months of 1967, by which time many farmers will have planned and arranged financing for their production and investment activities for the entire year.

A larger total amount of credit may be required to finance 1967 farm produc-

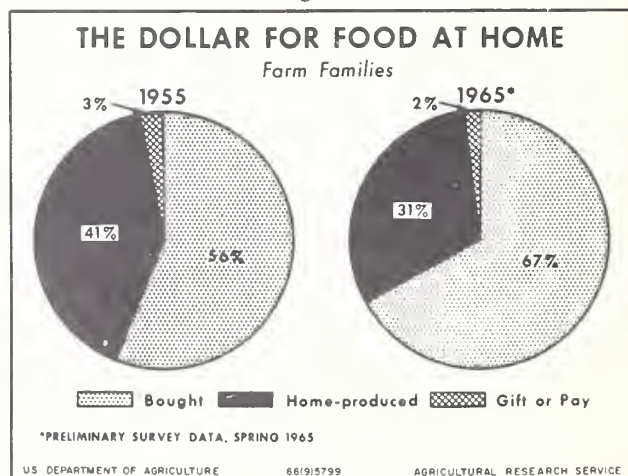
tion than was used in 1966. However, high farm incomes and increased deposits may increase the supply of funds for shorter-term production loans by rural banks.

Farm Family Living

The impressive rise in farm income in 1966 -- coupled with increases in recent years and continued opportunities for off-farm employment -- puts many farm families in a strong position as they move into 1967. A recent amendment to the Social Security Act will help some farm people no longer in the labor force. Rural people 72 years of age and older, who were formerly ineligible for Social Security payments, will now be eligible.

Higher incomes and changes in the pattern of living are bringing farm and urban levels of living closer. The 1965 Food Consumption Survey indicates that the per capita value of the farm family's food supply was 80 percent of the urban family's in the spring of 1965 as contrasted with 72 percent in 1955. This change occurred in the face of a decline in home production, which traditionally serves to bolster the value of the farm diet. In the spring of 1965 home production supplied only 31 percent of food consumed in farm homes, as compared with 41 percent in 1955 (figure 12).

Figure 12



UNITED STATES DEPARTMENT OF AGRICULTURE

FACTORS IN THE 1967 ECONOMY

Talk by Louis J. Paradiso

Associate Director, Office of Business Economics

U. S. Department of Commerce

at the 44th Annual National Agricultural Outlook Conference

Washington, D.C., 10:00 A.M., Monday, November 14, 1966

I am honored to be invited to participate again in this informative Conference, which is a tradition with the Department of Agriculture. My task this morning is to tell you precisely what the 1967 economy will be like. This I cannot promise. In fact, recent pronouncements by a number of economists give one the impression of a remarkable lack of consensus. Their 1967 forecasts range from a continued boom to a recession.

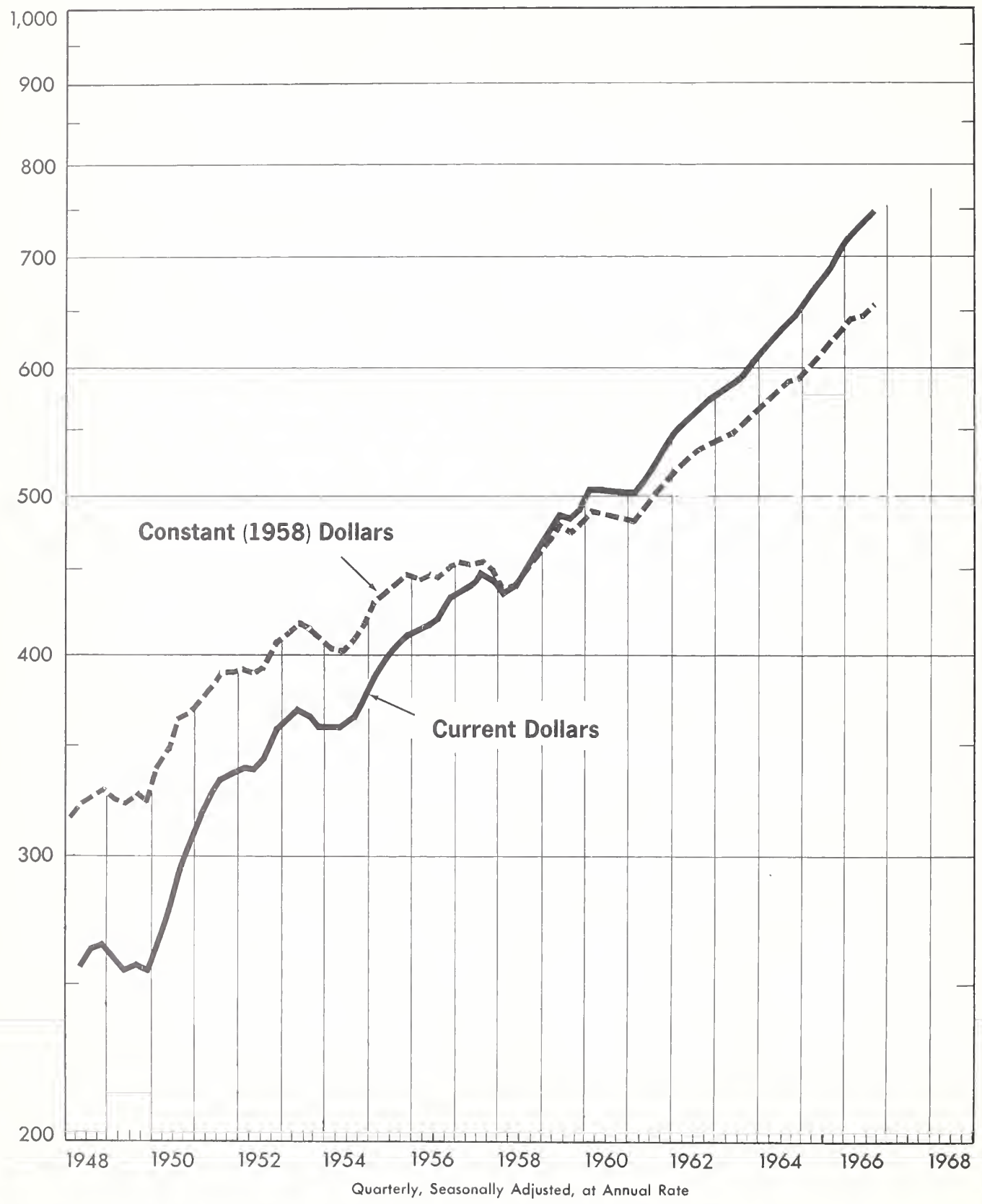
This is quite understandable. There have been few years when the business outlook for the ensuing year has involved so many uncertainties as this year. Forecasters have always had difficulties assessing the course of business investment and gauging the strength of auto purchasing--two of the most volatile sectors of demand. But this year, these problem areas are compounded by uncertainties with respect to national defense requirements, price movements credit conditions, wage demands, trend of profits, and other variables. Nevertheless, business, Government, and other groups must work with the best forecast that can be made so as to plan on a basis of something more than just a hunch.

In examining the factors bearing on the 1967 economy, I shall use a few charts so as to view our present position in perspective with the postwar period.

Total output -- The total performance of our economy as measured by the output of goods and services--the gross national product--is shown in Chart 1. The large expansion in GNP over the past year is no news. In the third quarter of this year the GNP was at an annual rate of \$746 billion--a rise of \$13-1/2 billion over the second quarter. If we assume another sizable increase in the current quarter, as it now appears from the data we have so far, the GNP for the entire year 1966 would amount to about \$740 billion, 8.7 percent above 1965. As we know, higher prices helped to boost the 1966 GNP rise. The line on the chart labeled GNP in constant dollars removes the effect of changing prices from the current dollar GNP and portrays changes in the physical volume of our total production. Over-all prices this year will be about 2.9 percent higher than in 1965 so that the increase in real GNP, i.e., in the physical volume of output, will be 5.6 percent. Such a large increase, from an already high level in 1965, has resulted in a considerable strain on our resources--both manpower and materials.

Chart 1.—GROSS NATIONAL PRODUCT

Billion \$ (ratio scale)



The sharp rise in output has been accompanied by a substantial gain in employment which has exceeded the growth in the labor force. As a result, a welcome reduction in the rate of unemployment has occurred--moving down from an average of 4.6 percent of the civilian labor force in 1965 to less than 4 percent so far this year. The improvement in unemployment, however, has been less striking for the nonwhites for which the rates are still well above average.

The fast pace of economic activity has also been accompanied by a strong and expanding flow of income to consumers and business; in addition, the spendable income was augmented by heavy borrowing. Both groups stepped-up their purchases of most types of goods and services and rising demands in many sectors pressed on available supplies; as a result prices moved up. This, in a nut shell, is the picture of the overall developments of the past year.

To appraise the prospects for the 1967 economy, we must now focus on the major sectors.

Government sector

Developments in the government sector are, of course, crucial. Chart 2 portrays the course of government purchases of goods and services during the postwar period. The chart clearly shows the extent of the rise in defense purchases since mid-1965, resulting principally from the enlargement of the war in Viet Nam. In the first quarter of last year, these purchases were running at an annual rate of \$48 billion and were little changed from the preceding quarter; at that time they comprised 7.3 percent of GNP. Since then, military spending has increased sharply and in the third quarter of this year, the annual rate reached \$61 billion, up 27 percent from the first quarter of last year. Defense purchases now absorb 8.2 percent of the GNP. However, the expansion in defense outlays over the past year has been much less rapid than that in the first full year following the outbreak of the Korean War.

The key to sizing up the prospects for 1967 is a knowledge of the future requirements for the Viet Nam war. This information we do not have as yet. Furthermore, we must also know the dimensions of nondefense expenditures. In the third quarter of this year, these expenditures were at an annual rate of \$83 billion (on a national income accounts basis) and comprised 58 percent of total Federal Government expenditures. Compared to a year ago, they were up by 10 percent. As you know, these Federal nondefense expenditures consist of purchases of goods and services, which have shown little change recently, and other types of expenditures such as grants-in-aid to State and local governments, transfer payments, and interest paid on the Federal Debt, which have risen substantially. The increase in these expenditures over a year ago occurred chiefly in transfer payments, reflecting a higher payout from social insurance trust funds and in grants-in-aid to State and local governments, especially new programs aiding education.

Chart 2.— GOVERNMENT PURCHASES OF GOODS AND SERVICES

Billion \$ (ratio scale)



The President is in the process of reducing certain nondefense expenditures as part of the Government's effort to help moderate the current boom.

Even if official estimates of Government expenditures were now available, there still would be no guarantee that they would not change significantly in the coming months. Unforeseen developments could induce changes in programs or expenditures--up or down. You will recall that the estimated 1966 defense expenditures implied in this year's January Budget are turning out to be considerably below actual expenditures because the rate of spending for Viet Nam was more rapid than anticipated.

Some signs pointing to future increases in defense spending are the sharply rising backlogs of orders for defense products and the enlarged military contracts awarded in the United States. In September of this year unfilled orders for defense products were 28 percent above a year ago. Shipments of such products rose 16 percent. In the first eight months of this year, awards of military contracts were 40 percent higher than in the same period of last year. While these forward-looking indicators suggest rising spending in the months ahead, nevertheless, the future turn of events in Viet Nam will dictate the eventual pattern.

Even though the military spending outlook is beclouded we can consider alternative patterns, and perhaps reach some generalization. This year, defense purchases may be \$9 billion over the 1965 total of \$50 billion. If the course of the war in Viet Nam is not materially different in 1967 from that of this year, i.e., no further sharp escalation, and this is probably the best assumption that can be made at the present time, then the increase in defense purchases next year may be of the order of the increase as that of this year. On the other hand, an early truce cannot be ruled out. The third alternative would be to assume that we will be engaged in a much enlarged war well above the present scale. In each case, Federal fiscal policy will be a major contributing factor to the growth of the GNP next year. If there should be an early truce, the Federal Government will reverse gears and stimulate demand by increasing nondefense expenditures, cutting taxes, or both. Obviously, the demand mix would differ among the three alternative assumptions. But the point I want to stress is that in any case the Federal Government will be a major instrument in promoting a balanced and sustainable growth in 1967.

The chart also shows the steadily rising trend of State and local purchases. In the past three years, these purchases have risen by an average of \$6 billion per year. In view of the continuing pressing needs of these governments, and the larger grants-in-aid that Congress has appropriated this year for these bodies, there is no reason to expect any material departure in the growth trend of these purchases. Revenues of State and local governments are rising not only because of the expansion of the national economy but also as a result of higher or new tax rates which are being imposed both on a State and local level.

The private sector

Chart 3 shows the most dynamic and volatile sectors of private demand. Let us first consider business outlays for nonresidential fixed investment--purchases of machinery and equipment, factories, commercial buildings, and other structures for business use.

Several observations may be made regarding the character of the recent sharp expansion in business investment. The large investment programs in the 1963-1965 period have not been overly expansionary. In those years there was a good deal of slack in the economy. Also, because of the investment incentives provided by the Government, businessmen grasped the opportunity to catch up on the lag in investment in the four years following the end of the 1958 recession. By late 1965, however, the ratio of nonresidential investment to GNP, of 10-1/2 percent was as high as the ratios of the boom investment years of 1956 and 1957. The further sizable increase programed by business in 1966 has resulted in an investment-output ratio well above those of the earlier boom years.

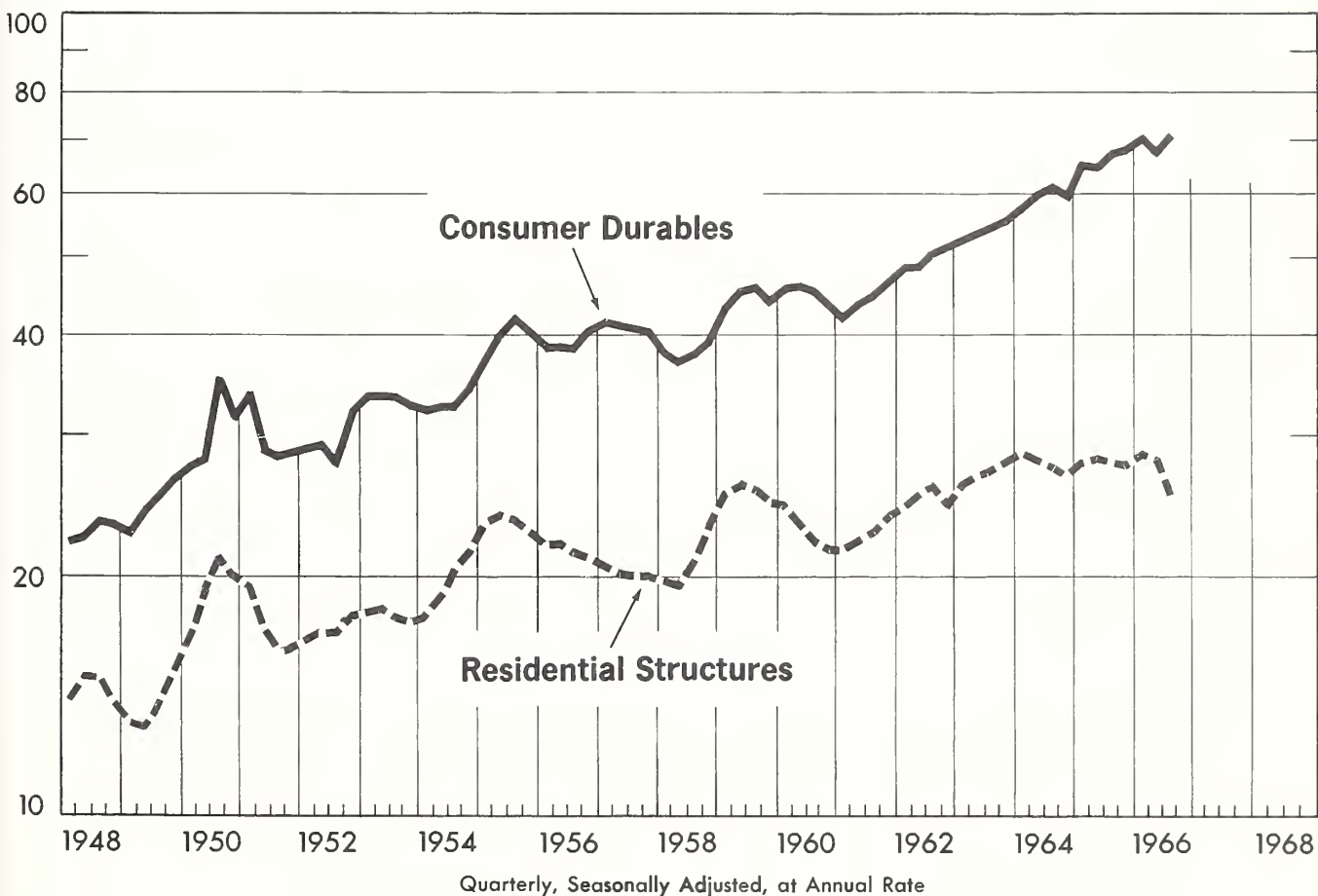
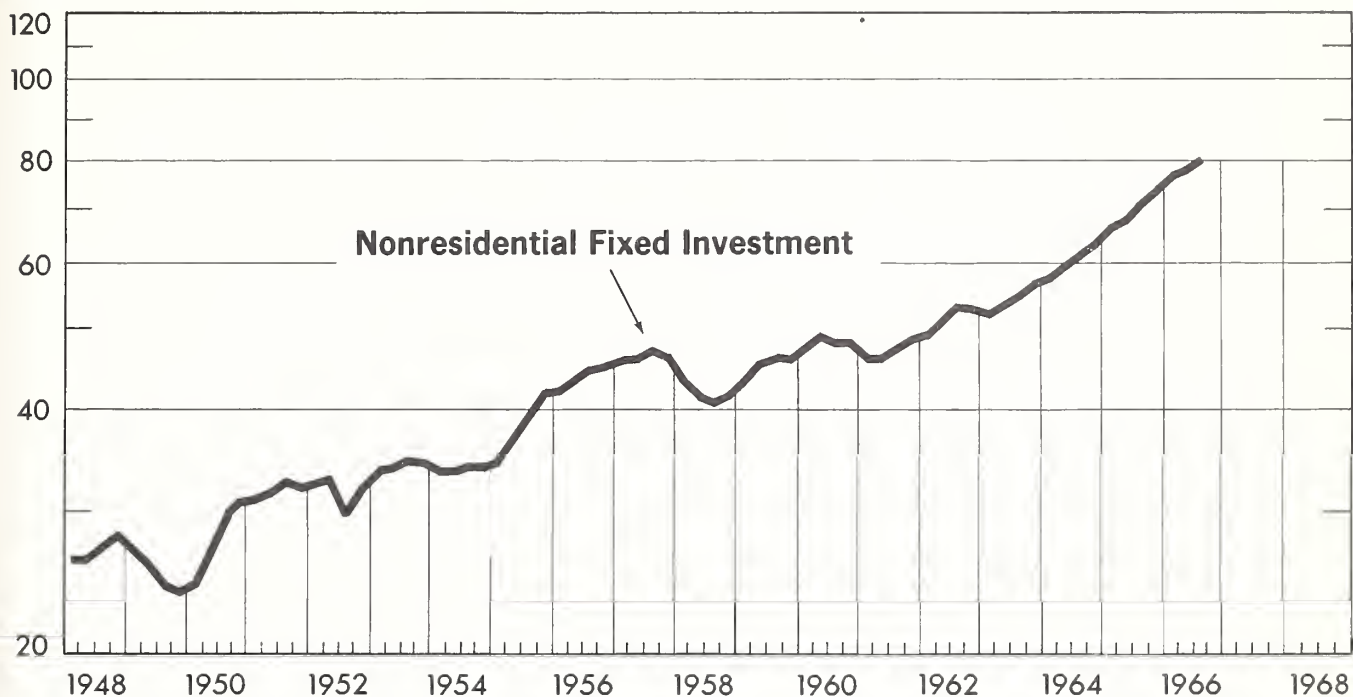
A factor contributing to the 1966 investment boom was the stepped-up defense expenditures over the past year. However, just as in the 1956-57 period, the 1966 high rate of expansion cannot continue for long unless government and other sources of demands were to show further acceleration; even then there would be the question as to whether the funds, materials, and manpower would be available to permit the realization of greatly enlarged programs.

Now let us consider the question of the prospects for investment in 1967. We must first remember that many companies will not firm up their investment programs for 1967 until the turn of this year. On the other hand, there are also numerous companies that plan well ahead and, because they foresee a continued strong economy over the near term, they have already fixed their investment programs for 1967 and in some cases for a period after that. With a rapidly changing technology, intense competition among producers here and from abroad, and with the conviction that costs will be headed upward, many companies will continue to modernize their equipment and expand their capacity. I do not see a lack of investment incentives in the period ahead. On the other hand, there is some basis for supporting the view that the investment expansion may slow down in 1967 compared with this year's fast pace.

The rate of investment expansion is dependent on a host of factors. Among these, two are most basic--namely, the corporate cash flow (i.e., retained earnings and depreciation allowances) and the rate of capacity utilization. Retained earnings reflect the net result of corporate decisions and operations--productivity, prices, costs, dividend policy, etc. The rate of capacity utilization essentially reflects the pressure of demand on available capacity. When the cash flow is in a rising phase, companies are prone to replace and modernize their plant and equipment. If the cash flow is expanding,

Chart 3.— DYNAMIC SOURCES OF PRIVATE DEMAND

Billion \$ (ratio scale)



at the same time that operations are approaching capacity rates, or even preferred rates, the incentive for capital expansion becomes much stronger. This favorable combination has been occurring during the past three years. There is a lag averaging about 9 months between the time investment decisions are made and when the actual expenditures are incurred and analysis suggests that the trend of cash flow in preceding months has more weight in explaining the current rate of investment than is the current rate of cash flow.

With this background in mind, we may note that corporate cash flow in 1965 was \$6-1/2 billion higher than in 1964. Indications are that this year the increase will be less than \$5-1/2 billion. Even if we assume, optimistically, that in 1967, the expansion in cash flow would match that of this year and also assume continued high rates of capacity utilization, there would be a sharp reduction in the rate of increase in plant and equipment outlays in 1967 compared with the large increase of this year, i.e., the increase would be more closely in line with any realistic range of the 1967 GNP. This conclusion is based on the measured impact which these factors have had on investment outlays over the past dozen years, taking into account the lagged effect of the cash flow on investment.

The most recent data on new orders for machinery and equipment and the backlogs of uncompleted investment projects point to a good further rise in investment outlays in the first half of 1967. In view of this and the possible showing of investment outlays for 1967 as a whole, such spending may show only a moderate further increase in the latter part of next year. I do not foresee an actual decline in capital goods spending during 1967 in view of the other factors favoring continued strong investment which I have already mentioned. Furthermore, each past period of an investment setback has been preceded for many months by a declining trend of new orders for machinery and equipment; up to now the trend of such orders has been rising--in September of this year they were 18 percent above a year ago. Private surveys of prospective investment programs which have recently been released also suggest a moderation in 1967 in this year's pace. However, in view of the number of special factors affecting these programs, it is difficult to evaluate the results of these surveys at this time.

We now turn to another dynamic sector of demand--consumer durable goods. Fluctuations in demand for these goods are dominated by consumer purchases of autos. In the third quarter of this year, expenditures for autos and parts were at an annual rate of \$30 billion, well below the first quarter rate and a little lower than such purchases in the third quarter of last year.

The strength of auto buying will bear watching from now on since fluctuations in auto production have widespread impacts on our economy. This year, auto sales are expected to total 9.1 million, a little under the record high set in 1965. Forecasting auto demand has always been a hazardous exercise and at this time many more factors play a role. In recent months the rate of auto sales has been well below that of the exceptionally high first quarter.

However, the test of the auto market will not be known until several months from now. Some industry analysts now believe that 1967 sales may well equal the total of this year. If this should prove to be the case, auto output would not contribute to a GNP rise in 1967.

Several potentially adverse factors, however, may prevent 1967 auto sales from matching the total for this year. Some of these are: the likelihood of a slowing down in the rate of increase of consumer income, higher cost of cars, high interest rates, draft calls, and the relatively large proportion of young cars in the car population. Also at times such intangible factors as shifts in consumer confidence and tastes have an impact on sales. The industry would do very well, indeed, if the 1967 unit auto sales were to equal those of this year.

Purchases of nonauto consumer durables--such as furniture and household equipment--are basically dependent on the flow of income. I would not expect the total of such purchases over the coming year to rise by as much as the 10 percent increase recorded over the past year, particularly in view of the higher price tags for some items and the poor prospects for the housing market.

New housing starts had been lagging in 1964 and in most of 1965, as a result of overbuilding in the Western states. In the fall of 1965 they increased sharply, but more recently, as we know, the industry has been adversely affected by the tightness of mortgage money and rising interest rates. In September, private new housing starts were at an annual rate of less than 1.1 million, compared with 1.7 million in December 1965. Housing permits dropped to below the three-quarter million mark.

These developments foreshadow further declines in housing activity for some months to come. However, mortgage money should become somewhat easier to obtain later next year--particularly, if as now anticipated, consumer and business demand for credit should ease. Greater availability of mortgage money together with rising incomes and an acceleration in new household formation should make for an upturn in the housing market late in 1967.

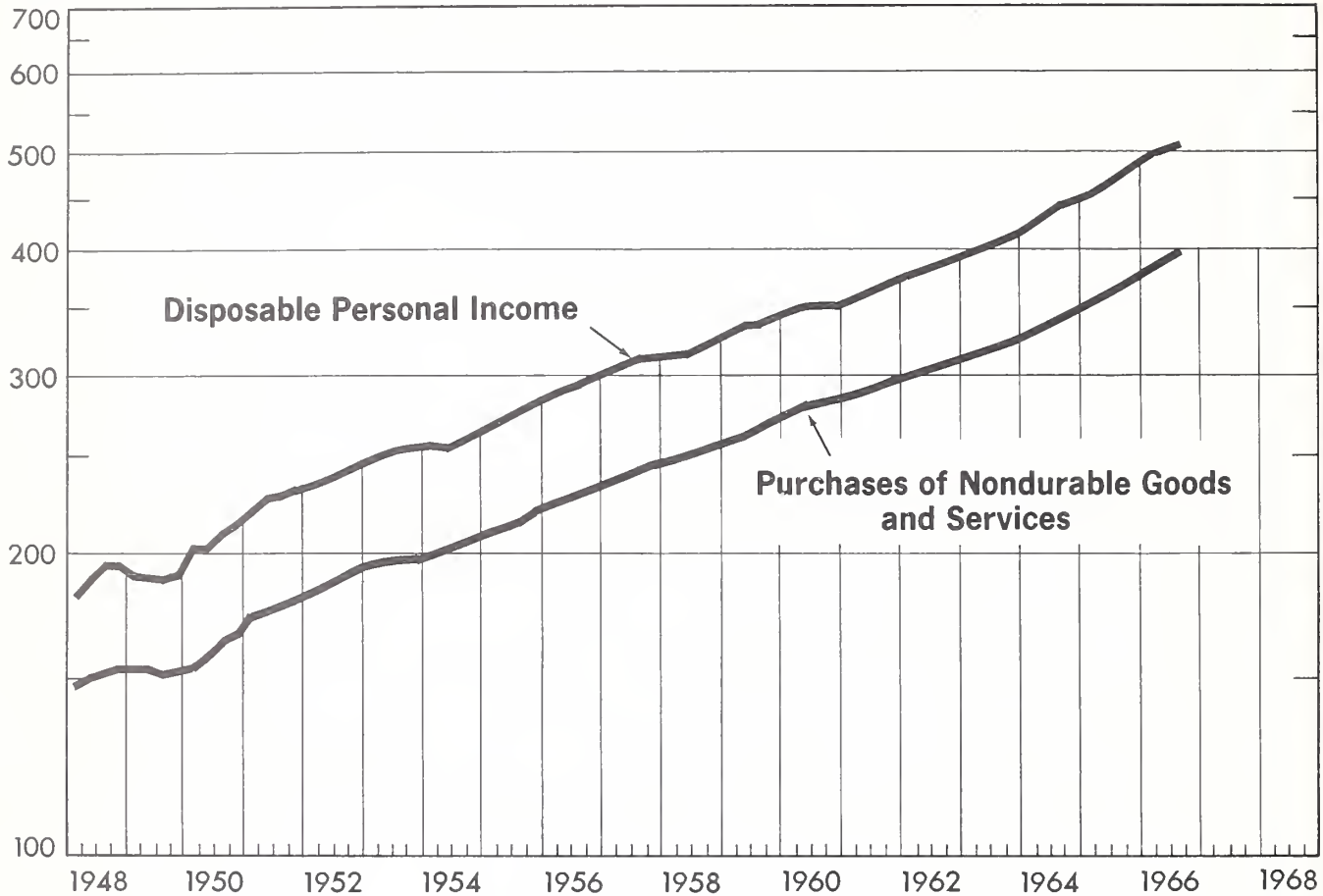
Consumer nondurables and services

I expect that the trend of consumer expenditures for nondurable goods--food, clothing, drugs, gas and oil, and so on--and for services to be upward in 1967. These purchases are closely geared to the flow of income and the population growth. As Chart 4 shows, the ratio of these expenditures to disposable personal income has fluctuated around 80 percent. The ratio of nondurable expenditures to income may decline somewhat but more of the income dollar may go for services.

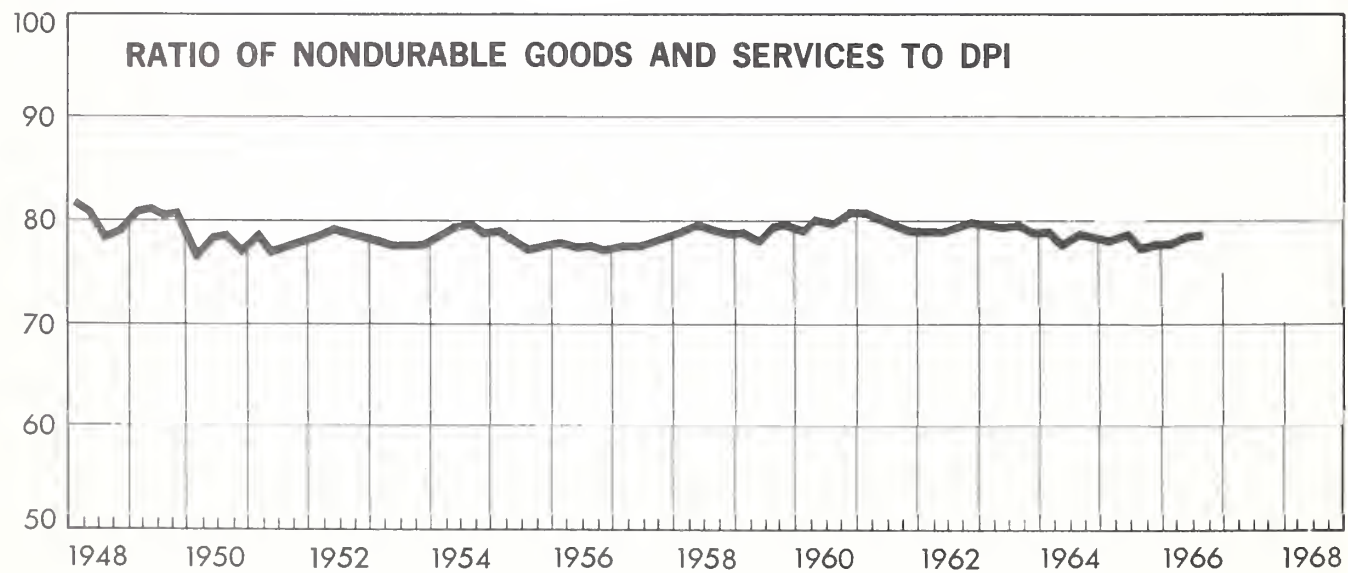
It is interesting to note that consumer expenditures for food and beverages, which were at an annual rate of \$106 billion in the third quarter of

Chart 4.—CONSUMER SPENDING ON NONDURABLES AND SERVICES MOVES WITH INCOME

Billion \$ (ratio scale)



Billion \$ (ratio scale)



Quarterly, Seasonally Adjusted, at Annual Rate

this year comprised 20.9 percent of the disposable personal income and this proportion has been practically constant over the past year. What this means is that the income after tax also increased sizably and consumers spent about the same proportion of their higher incomes on food. Expenditures for food and beverages have increased 7.2 percent since the third quarter of last year but this represented a rise of only 2.8 percent in real terms--the remainder being accounted for by higher prices. The prospects are good that this relationship between real and current dollar expenditures for food will improve next year.

Two final sectors of demand remain and I shall discuss these very briefly. Chart 5 shows the movement of the change in business inventories and of net exports of goods and services.

Inventory accumulation over the past year has been geared to the rate of industrial output and orders and to trade sales. The recent accumulation has been at a high rate, although the third quarter accumulation was somewhat smaller than the annual rate of \$12.5 billion added in the second quarter. Inventory-sales ratios have shown only modest increases in recent months and these were due to larger stocks required by industries producing defense products and machinery and equipment. Business has pursued a cautious inventory policy and I would expect inventory investment to be geared closely in line with the volume of business in 1967.

Exports of goods and services have risen by 9.0 percent over the past year, but imports have jumped by 18 percent. As the chart shows, net exports have been declining from a \$7 billion annual rate in the third quarter of last year to less than \$5 billion in the third quarter of this year.

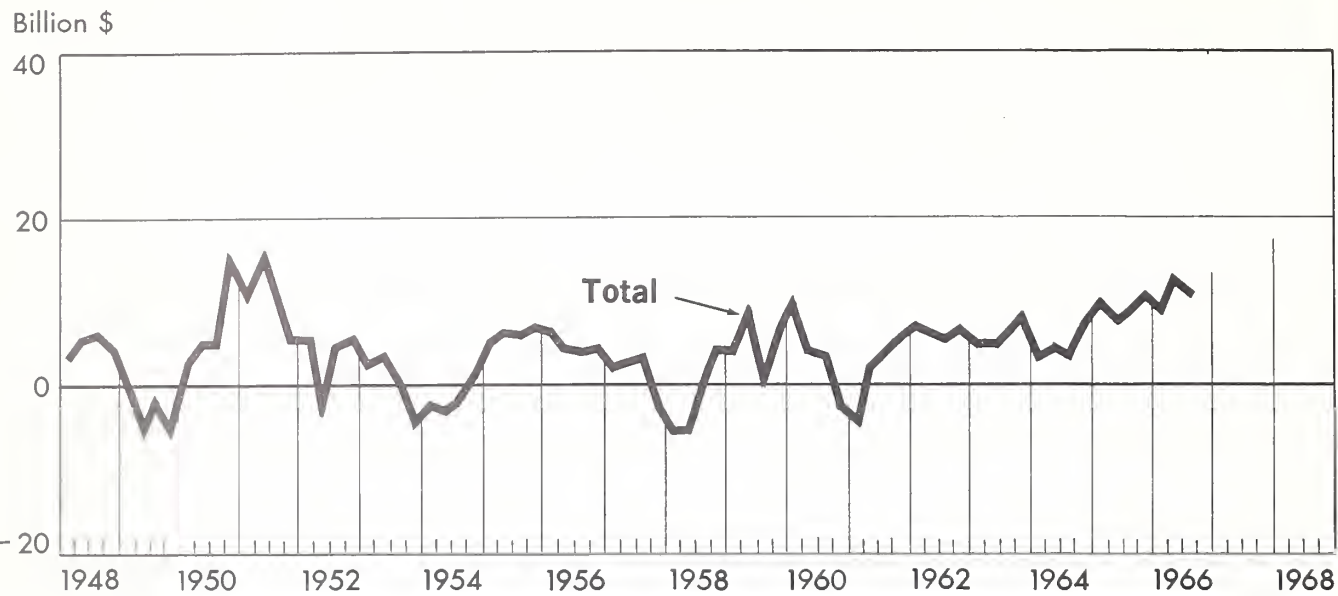
We hope that we will be able to improve our net export position in the coming year but this depends largely on the extent to which foreign countries improve their growth rate and thier domestic demand, which would help our exports, and on how much we can moderate our own rate of economic growth which in turn would call for less of an increase in our imports.

Prices

I have set forth the broad contours of public and private demands for next year. The question which naturally arises is: What effect will these prospective demands and other developments have on price movements? Chart 6 shows the postwar record for the major price groups. I need not detail to this group the recent performance of prices.

A combination of factors have been responsible for the sharp departure from relative price stability which we have enjoyed in the seven years prior to 1965. Shortages of certain food products due to a freeze early in 1965 and later a drought in large sections of the country; relative shortages of certain industrial products due to a boom in the private economy and enlarged

Chart 5.—CHANGE IN BUSINESS INVENTORIES



NET EXPORTS OF GOODS AND SERVICES

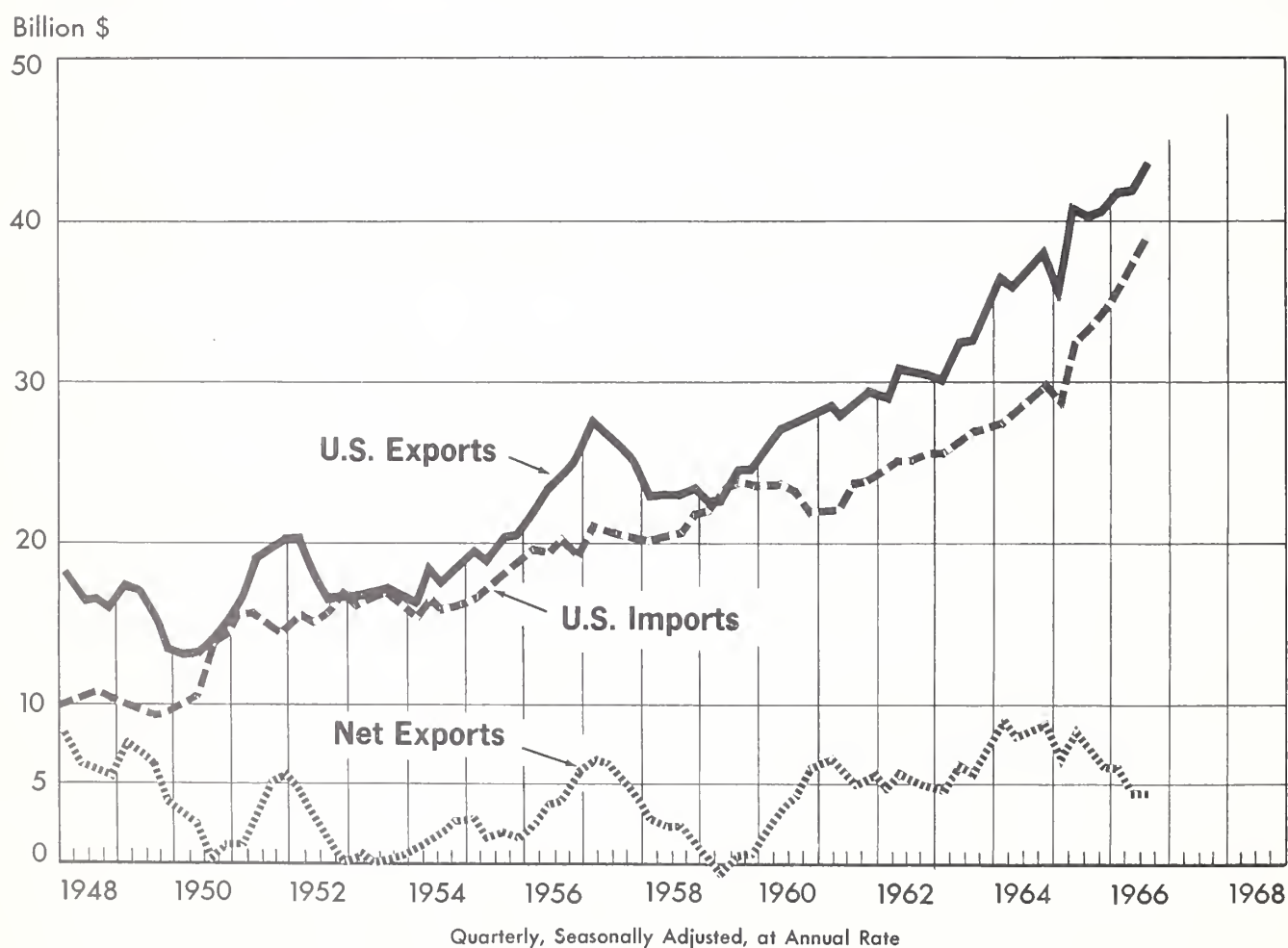
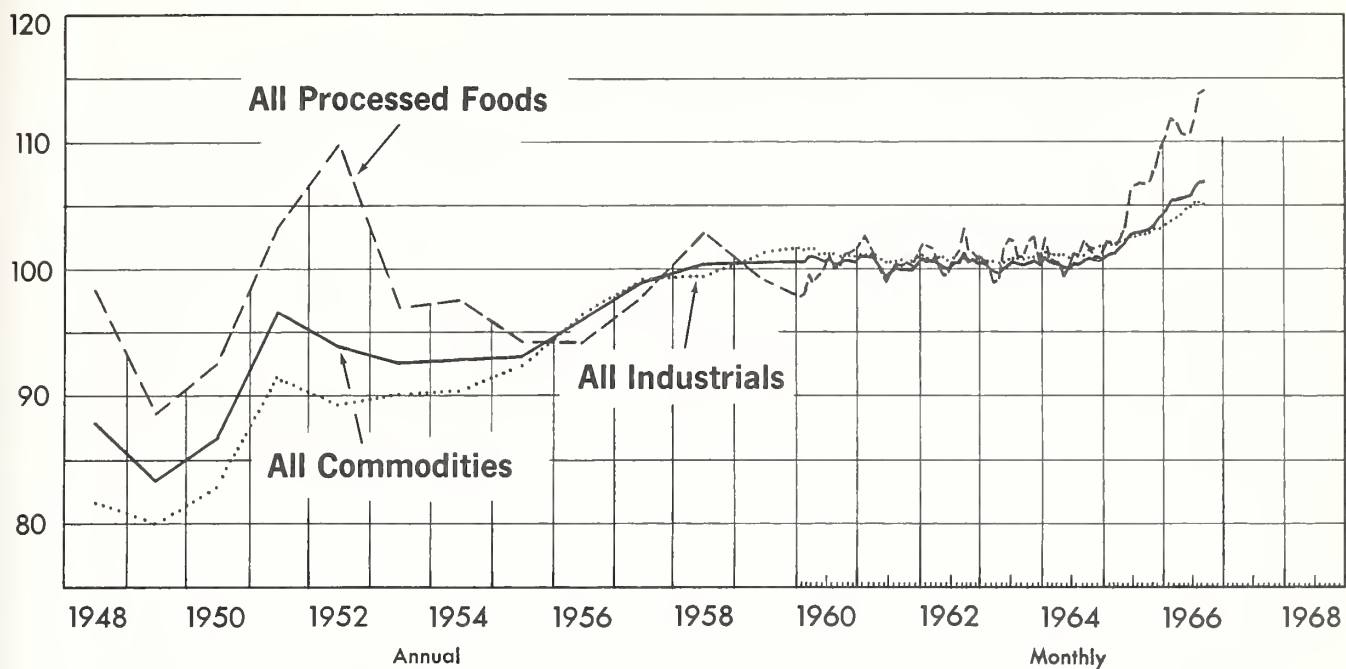


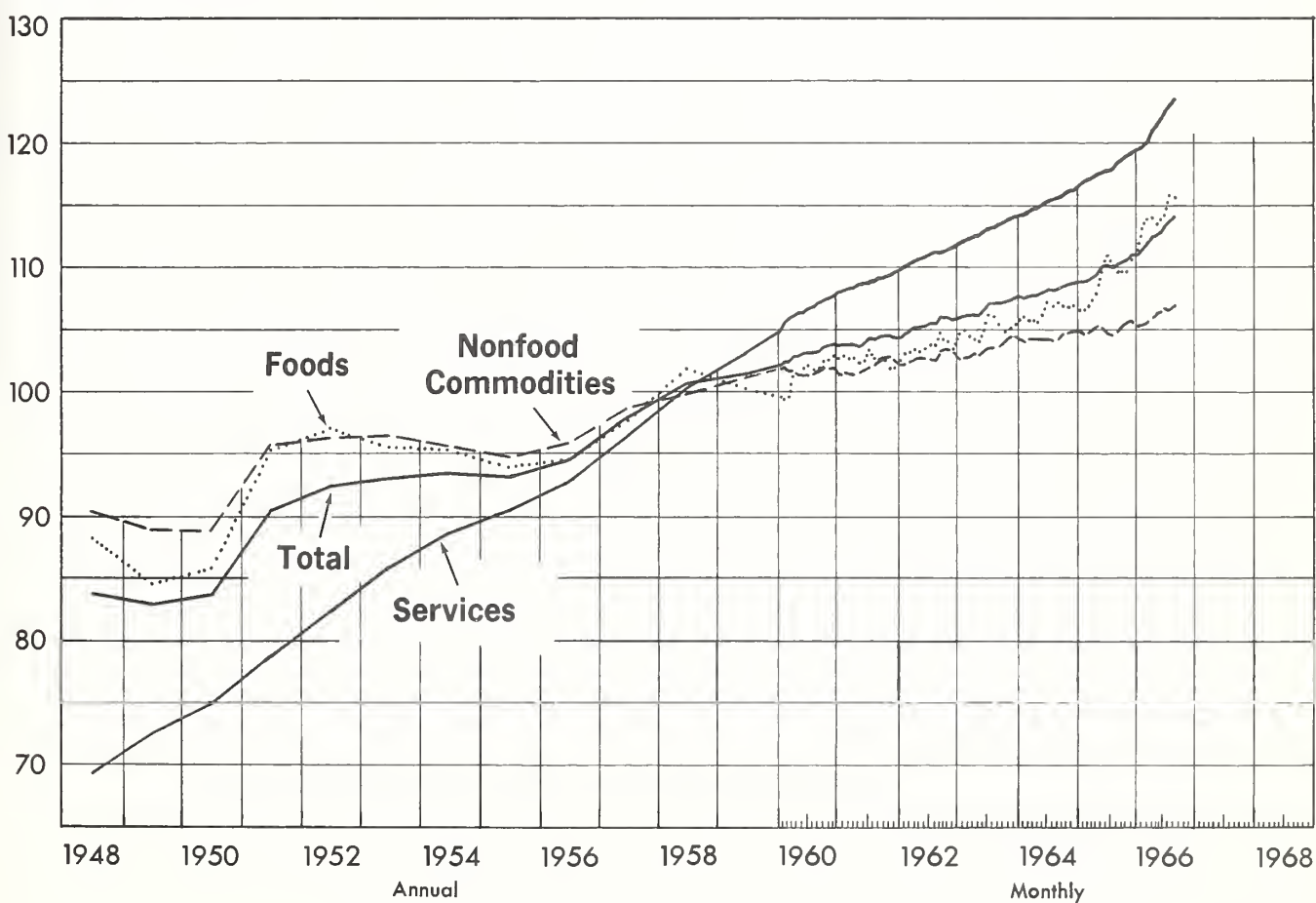
Chart 6.—PRICES IN WHOLES

ID RETAIL MARKETS

Index, 1957-59 = 100



Index, 1957-59 = 100



Data: BLS

requirements for defense; shortages of certain labor skills, and higher labor and other costs--all of these have put pressure on prices in both wholesale and retail markets.

Industrial prices have risen 2.2 percent over the past twelve months. Higher quotations for many industrial products will probably be felt in consumer markets in the coming months. However, in the past several weeks prices of industrial crude materials have been softening. At retail, food prices in September were down from August but prices of other items such as apparel increased. The experts at the Department of Agriculture will give you a detailed statement on the outlook for farm and food prices. I think it is worth noting that processing costs and labor costs of retail food dealers are rising and on this account alone, I would not be too optimistic regarding a possible easing of food prices for next year.

The trend of unit labor costs will be a crucial factor in price developments next year. As you know, this is equivalent to the ratio of average hourly compensation (including fringe benefits) to productivity. For some years labor cost per unit of output in manufacturing has been exceptionally stable and this has been true throughout this year so far. This means that increases in hourly compensation have on the average about equaled the productivity gains. However, wage settlements of 5 percent or better, which seems to be the mode in recent settlements, would result in higher unit labor costs, in which case prices would be under pressure.

To sum up: The foregoing discussion suggests that business activity may be expected to continue upward throughout 1967, with a high probability that the increases would be at a slower pace than this year, assuming that the Viet Nam war goes on at the present tempo. The momentum of the current boom will carry through in the first half of next year so that a slower rate of increase is quite likely in the second half than in the first half.

This year, real GNP is expected to be about 5-1/2 percent above 1965; the increase in the total labor force is 1.7 million or 2.2 percent; the number in the Armed Forces has increased by about 400,000; this year's gain in productivity for the entire economy is estimated at 2.5 percent. These numbers imply a reduction in the rate of unemployment from the average 4.6 percent in 1965, to 3.9 percent this year which, on the basis of the actual rates for the first 9 months, look reasonable.

I am citing these figures to show how we have accomplished the interim objective of reducing the rate of civilian unemployment to around 4 percent. This rate was achieved with an increase in real GNP of 5-1/2 percent, an expansion which was required to reach the low rate of unemployment. However, in the process, imbalances and price pressures have developed. Such a high growth rate of output is not sustainable without causing further severe pressures and imbalances. Now that we have attained a relatively low rate of unemployment, we can maintain this rate with a slower growth in real GNP than we had this year.

For purpose of illustration, let us assume that the gain in total labor force in 1967 will be 1.6 million, a little smaller than the 1966 increase, and that the Armed Forces will rise by 300,000 over this year's average of 3.1 million; the assumed increase is not much above the 3,230,000 in the Armed Forces as of this past September. Also, let us assume that total productivity in 1967 will be a little higher than that expected for this year--a gain of 2.7 percent over 1966; and finally, we shall assume that the rate of unemployment remains at this year's average of a little below 4 percent. Then it follows that to absorb the growth in the labor force a real GNP growth of about 4-1/2 percent would be needed.

This is not a forecast, but it does provide the dimensions of the real growth in output needed to maintain the rate of unemployment at a relatively low level.

If the growth rate of output is reduced to a more sustainable pace, we shall reap two important benefits: The present imbalances in our economy would be corrected and price pressures would ease. If the present rapid pace of economic activity, however, should continue, the penalty eventually will be a painful adjustment. I don't think anyone knows at this time, considering the uncertainties, that tax increases or control measures would or would not be required to moderate the tempo of economic activity in 1967. The President is watching developments closely and when the picture becomes clearer he will make a decision one way or another.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR FEED

Talk by Malcolm Clough
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D.C., 1:30 P.M., Tuesday, November 15, 1966

The strong domestic and export demand for feed grains, which was a dominant feature of the feed situation during the past year, is expected to continue in 1966-67. In 1965-66, total feed grain consumption increased about 14 percent to a record high of 174 million tons. This high level of consumption exceeded 1965 production by about 13 million tons reducing the carryover into 1966-67 to 43 million tons. Prices averaged about the same as in 1964-65, and were 8 percent above the 1960-64 average.

The 1966 feed grain crop, estimated in October at 158 million tons, is 2 percent below last year's record crop. With the smaller carryover, the total feed grain supply for 1966-67 is about 7 percent less than in 1965-66. Smaller supplies and continued strong demand are expected to result in somewhat higher prices in 1966-67--especially during the first half of the marketing year. Domestic use and exports are expected to continue heavy. A further reduction in carryover is in prospect for the close of the 1966-67 marketing year--probably down to around 25 to 30 million tons.

The Feed Grain Program for 1967, announced on October 17, is basically the same as in recent years--but carries provisions to encourage larger production to meet our expanding requirements and provide adequate reserves. An important change in the program was the elimination of payments for voluntary diversion (except on small farms) to encourage an increase in feed grain acreage and production. This feature of the program, along with the elimination of barley from acreage diversion, is expected to bring 12 to 15 million acres back into feed grain production in 1967. The program also provides for an increase from \$1.30 to \$1.35 per bushel in the price support for corn, with comparable increases for other feed grains. A minimum 20 percent diversion in corn and grain sorghums is again required for participation in the program.

The supply of all feed concentrates for 1966-67 is estimated at 235 million tons--16 million below last year and 25 million below the record supply in 1960-61. A decline in feed grain stocks accounts for most of this reduction although wheat feeding, which increased sharply to around 120 million bushels in the past 2 feeding years, is expected to be substantially smaller in 1966-67. Supplies of high-proteins and other byproduct feeds, which have been trending upward for a number of years are expected to be

slightly larger in 1966-67. The 1966-67 feed grain supply will total 201 million tons, based on October indications, 7 percent below a year earlier. The crop, estimated at 158 million tons on October 1, is only 3 million below the record 1965 crop, while the carryover was 13 million tons smaller. Total utilization is expected to continue near the 1965-66 level of 174 million tons. In this event, a further reduction in carryover is in prospect--probably down to around 25 to 30 million tons at the close of the 1966-67 marketing year.

The carryover of feed grains has been reduced about 42 million tons in the last 5 years. The 43 million tons of feed grains carried over into 1966-67 included about 25 million tons of Government stocks and 18 million privately owned. Government stocks were the smallest since 1954, both in total tonnage and as a percentage of the total carryover. On the other hand, "free" stocks are much larger than the 8 to 12 million tons of recent years.

The 1966-67 corn supply, estimated in October at 4,964 million bushels, is 7 percent below a year earlier and 9 percent below the 1960-64 average. This year's crop, estimated in October at 4,097 million bushels is only 74 million less than last year, while the October 1 carryover is down 304 million bushels. Total utilization during 1966-67 is expected to again exceed production, lowering the carryover on October 1, 1967--probably down to around 500 million bushels.

The total supply of sorghum grain has been at around 1.1 to 1.2 billion bushels in recent years. The 1966 crop increased to a record high of 728 million bushels, up 9 percent from last year and 52 percent above 5 years earlier. Increased production, however, was offset by a reduction in carryover, down to 393 million bushels, 31 percent less than last year and 44 percent below the peak reached in 1961. Both domestic use and exports of sorghum grain have been expanding in recent years. In 1966-67 total disappearance is expected to exceed the crop, resulting in a further substantial reduction in carryover on October 1, 1967.

The generally strong demand for feed grains is expected to continue in 1966-67. With the smaller supply in prospect, feed grain prices are expected to average above the 1965-66 level. In the past 2 years feed grain prices averaged 107 percent of the 1957-59 average and were the highest since 1956-57. Corn prices in 1966-67 are expected to average somewhat higher than in 1965-66 when monthly prices received by farmers averaged \$1.17 per bushel for the October-September feeding year. The increase over a year earlier is expected to be much greater this fall and winter than next spring and summer. While prices will remain well above the 1966 loan rate of \$1.00 per bushel, the seasonal advance in the last half of the year is expected to be much less than in the past 2 marketing years. Sorghum grain prices also are expected to average above last year's level. Sorghum grain prices, however, have been low in relation to corn during 1965-66 and are expected to continue relatively low in 1966-67.

Livestock-feed price ratios were very favorable for livestock and poultry producers in 1965-66, resulting in an expansion in numbers and very liberal feeding per animal. Price relationships are expected to continue favorable in 1966-67 for dairymen and cattle feeders, but will be lower than this past year for hog and poultry producers. Favorable returns from livestock production in 1965-66 have resulted in an expansion in livestock numbers, especially in hogs and poultry. The total number of grain-consuming animal units rose slightly from 1964-65 to 1965-66, and a sharper increase of about 4 percent to 176 million units is in prospect for 1966-67. Much of this increase is expected to be in hogs and poultry.

While livestock numbers are expected to expand in 1966-67, generally lower livestock prices in relation to feed costs are expected to result in a lower rate of feeding per animal unit. The very favorable livestock-feed price ratios this past year, along with lower quality corn in some areas of the Corn Belt, resulted in a sharp increase in the rate of feeding for all concentrates from 0.89 ton per animal unit in 1964-65 to 0.97 ton in 1965-66. Assuming the rate of feeding declines about 3 percent from the 1965-66 level, this would offset much of the increase in the number of livestock to be fed resulting in a total tonnage fed close to the 165 million tons fed in 1965-66.

The total supply of high-protein feeds available for feeding in 1966-67 is estimated at close to 18.0 million tons, 3 percent larger than last year and about 10 percent above the 1960-64 average. Prospects for larger soybean meal production along with some increase in animal protein feeds and grain proteins is expected to more than offset the reduction in the output of cottonseed meal. The much smaller cottonseed meal production in prospect for 1966-67 will result in a relatively small high-protein feed supply in the South. This will have to be made up at least in part by inshipments of soybean meal and other protein feeds from other areas of the country.

The number of high-protein consuming animal units to be fed in 1966-67 is expected to be up about 3 percent, due principally to prospective increases in hogs and poultry. The quantity of high-protein feed fed per animal unit increased to about 235 pounds in 1965-66 from a rather stable level of around 225 to 227 pounds in the preceding 4 years.

The strong demand, which has influenced prices of the high-protein feeds during the past year, probably will continue in 1966-67. In the 1965-66 feeding year the index of wholesale prices of these feeds averaged about 14 percent higher than in 1964-65. Despite the higher prices, domestic consumers fed about 6 percent more protein feed and about 22 percent more was exported. Soybean meal prices are expected to average somewhat higher this fall and winter than in 1965-66 but are not expected to rise as much in the last half of the marketing year.

The strong foreign demand for feed grains which prevailed in 1965-66 is expected to continue in 1966-67, but further expansion probably will be limited by higher U.S. prices and larger production abroad. In 1965-66 exports of feed

grains increased about 35 percent over 1964-65, reaching a record high of close to 29 million tons. The sharp increase in exports during the past year resulted largely from a continued upward trend in the demand in Europe and Japan as well as from reduced production in Argentina, South Africa, and some of the important feed grain producing countries of Europe. Both cash and future prices of feed grains and soybean meal were relatively low in the fall of 1965. This stimulated forward buying for export and was an important factor contributing to the heavy exports during the past year.

While exports may not increase materially, they probably will be maintained at a high level in 1966-67. Higher feed grain prices this year, larger feed grain production in Argentina, and a more favorable feed supply situation in a number of European countries are factors which will tend to limit further expansion in feed grain exports. The upward trend in the foreign demand for feed grains, however, may maintain corn exports at around 700 million bushels, even with the larger production in other countries. Exports of sorghum grain, due principally to heavier shipments to India, may be increased by around 10 percent from the 266 million bushels exported in 1965-66. On the other hand, exports of barley and oats may be smaller than in 1965-66. Based on these early prospects it now appears probable that combined exports of the 4 feed grains will continue somewhere around last year's record movement of 29 million tons.

The rapid expansion in livestock and poultry production in Western Europe and Japan has been largely responsible for the marked increase in U.S. exports of feed grains and soybean meal in recent years. Mixed feed production has trended upward in these countries during the past decade. The increase in mixed feed production has been especially pronounced in Japan, increasing from 1.3 million tons in 1957 to nearly 8.0 million in 1965, and in Italy where production rose from 0.5 million to 2.2 million. During the 8 years it has more than doubled in Western Germany, Belgium, France, and Canada, rose 80 percent in the Netherlands and 53 percent in the United Kingdom. The combined production of mixed feed in these 8 countries has gone up at an annual average rate of 3.4 million tons since 1957.

The upward trend in the demand for livestock feed has resulted in requirements increasing at a faster rate than production in most of the important importing countries. This has made it necessary for most of the countries, which are heavy importers of U.S. grains, to increase their imports even though their production may also be trending upward.

During the past 10 years U.S. exports of feed grains have been increasing at a much more rapid pace than feed grain production or sales. Exports, which were only about 5 percent of our total feed grain production in the early 1950's, increased to about 18 percent of our 1965 production. Ten years ago only 15 percent of the feed grains sold by farmers was exported but now exports account for about 35 percent of the feed grains sold by farmers.

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of the Census

POPULATION GROWTH AND FAMILY FORMATION 1/

Talk by Paul C. Glick
Population Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 2:00 P.M., Tuesday, November 15, 1966

The trend in family formation rises and falls in a fairly predictable pattern because it is so closely related to the number of births to families of the preceding generation. Thus, the annual number of births reached a low point of 2,100,000 during the early 1930's, and there was a corresponding low point in the number of marriages when those who were born in that period were marrying in the 1950's. Specifically, the number of (first) marriages reached a low point of about 1,100,000 in 1958. By the early 1940's the annual number of births had risen by about one-half of a million, and correspondingly the number of (first) marriages rose by one-quarter of a million between 1958 and 1965.

In the meantime, many additional persons were marrying for the second or subsequent time, the proportion of such marriages varying between 20 and 25 percent of all marriages. Hence in 1965, the total number of marriages was nearly 1,800,000, of whom more than 400,000 were remarrying. Of those who remarry, about three out of every four have been divorced and about three out of every eight have been widowed (some of whom have been both widowed and divorced).

Looking to the future, the annual number of (first) marriages during the 1980's is expected to be nearly twice as high as in the early 1960's because the number of births per year has been close to 4 million recently as compared with 2.5 million a generation ago. However, the recent decline in number of births from about 4.3 million in 1957 to 3.8 million in 1965 will undoubtedly be reflected in a similar downturn in marriages during the 1980's.

That is the broad picture. Even more meaningful are the prospective changes with respect to age at marriage. This subject is of interest in its own right, partly because of concern over the number of teenage marriages. In addition, age at marriage significantly influences events in the middle and late stages of the family life cycle; it determines, in part, the age at which the wife's responsibilities for child-care have declined to the point where she is free to seek full-time employment, and the probability that she and her husband will survive to enjoy life together after the husband retires.

1/ This is a modified version of a paper entitled "Prospective Changes in Marriage and the Family" by Robert Parke, Jr. and the present author which has been accepted for publication in Journal of Marriage and the Family.

For several years, Americans have married at younger ages than those in other industrial societies. Furthermore, American women marry men who are more nearly their own age than is generally true elsewhere. Yet one of the striking features of recent trends in American marriage is the extent to which marriage patterns are becoming even more standardized than before.

First, nearly everyone gets married nowadays. The estimates shown in figures 1 and 2 suggest that as few as 4 percent of the men and 3 percent of the women now in their late twenties may enter middle age without having married. These proportions are one-third of the corresponding proportions actually experienced by persons who are now in late middle age.

Second, to a greater extent than before, young persons are getting married at about the same age. The reduction in the age at marriage has been accompanied by a compressing of marriages into a narrower age range than before. This is shown in figures 3 and 4. Among the ever-married men now in late middle age, about 8 years elapsed between the age by which the first one-fourth had married and the age by which three-fourths had married. For men who are now in their late twenties, the corresponding figure is expected to be about 5 years. That is, even after the younger group of men has been exposed to another two decades of first marriage experience, the interquartile range of age at first marriage for this group is expected to be only about two-thirds of that for the older men. A corresponding trend has occurred among women. The interquartile range of age at first marriage experienced by the women who are now in late middle age was about 7 years. This is expected to contract to about 4 years by the time the women who are now in their late twenties reach middle age.

Third, women are marrying men who are closer to their own age. This observation is suggested by the declining difference between the median ages at first marriage for men and women during this century. The fact is confirmed by data from the 1960 Census which showed the median difference between the age of husband and wife for married couples in which both partners were married only once. Husbands over 55 years old in 1960 were 3.6 years older than their wives, on the average, while husbands under 35 were only 1.9 years older on the average.^{2/} Forty-two percent of the older husbands were at least 5 years older than their wives, as compared with only 17 percent of the younger husbands.

^{2/} To be sure, the younger men have had less opportunity than the older men to marry women who are many years younger than themselves. This is true even though the foregoing figures exclude second and later marriages. The biasing effect of this fact on the foregoing comparison is, however, probably compensated in large part by the fact that, by the time of the census, the marriages of the older men had been subject to years of selective attrition through divorce and widowhood, with the result that the proportion of the older couples in which the husband was much older than the wife would have been much smaller than it was in the marriages of the original cohort.

The lessening of the difference between the ages of the husband and wife causes a significant improvement in the chances of joint survival of the married couple. Under mortality conditions prevailing in 1960, a woman who was married at age 20 to a man 4 years her senior ran a 42 percent chance of being widowed before age 65, assuming that she survived to that age. If she married a man only 2 years older than herself, her chances of widowhood before reaching 65 would be only 37 percent, and if her husband were the same age as she, her chances of widowhood would be only 33 percent.

The joint survival of a married couple depends, of course, on a number of factors beside the difference between their ages. The foregoing figures assume no divorce, a fact which would not affect the interpretation if there is no fundamental change in the trend of the divorce rate; and the foregoing figures assume constant mortality conditions, whereas mortality conditions will likely change somewhat, though probably not enough to negate the points being made. Nor do they take into account changes in separation and desertion rates, but there seems actually to be a real likelihood that desertions will diminish, assuming that the educational and economic levels of the population improve over time.^{3/}

This paper is not an appropriate place in which to try to sort out the effects of each of these factors. However, their net effect over the past 10 years has been such as to suggest substantial future increases in the proportion of persons living with their spouse in late middle age and in old age. For example, 64 percent of the women 55 to 64 years old were living with their (first or subsequent) husband in 1965. According to fairly conservative experimental projections, the corresponding figure may increase 8 points to 72 percent by 1985. The smaller increase of about 3 points that is projected for women over 65 nonetheless represents a substantial relative improvement over the current level of 34 percent in this age range.

The public concern over the number of teenage marriages has arisen because of the notorious instability of these marriages. The 1960 Census showed that among the men who first married at age 18 during the period 5 to 15 years prior to the census, the first marriage was not intact at the time of the census in about 21 percent of the cases. This was twice as high as the proportion of not intact first marriages among men who first married at age 23. A similar relationship was evident in the data for females. (Nearly all such persons with first marriage not intact were divorced, separated, or remarried at the time of the census; the remaining small proportion were widowed.)

^{3/} Furthermore, to the extent that poverty is a deterrent to the remarriage of persons whose marriages have been broken by widowhood or divorce, the reduction of poverty should increase the proportion who remarry. Moreover, since available statistics demonstrate clearly the superior health of persons who are currently married, a logical correlate of a continued improvement in the health of the ~~population~~ would be a continued increase in the proportion married among those in the middle years of life and even to some extent in old age.

Actually, however, figures that have recently become available (shown in figures 1 and 2) show that the marriage rate among very young women reached a peak perhaps 10 to 15 years ago and that the rate of marriage of the very young is now on the decline. Twenty-two percent of all the women who are currently 30 to 34 years old married before age 18. The rate of early teenage marriages is successively smaller for each younger group of women. Only 15 percent of all the women who are currently 18 and 19 years old married before age 18. The proportion of women who marry in their late teens is also on the decline.

Extremely young age at marriage has never been very widespread among men. Thus, the proportion of men who married before age 18 appears to have been no greater than 4 percent for all age groups now alive. Even so, the percent of very young marriages among men who are now in their late twenties was twice as high as it was among men now in their forties, and there is some evidence of a recent downturn in this percent among men who are now in their late teens and early twenties.

This may or may not portend a downturn in the percent of all men who marry under age twenty, which rose in recent years from 9 percent for men now in their late forties to 19 percent for men now in their twenties.

The recent downward trend in teenage marriages among women may be in part a response to the changing ratio of males to females in the marriageable ages. If so, this has interesting implications for the pattern of age at marriage in the next few years.

Because of past changes in the annual number of births and because women marry men who are two or three years their senior, on the average, we have had, in the past few years, a drop in the number of males per 100 females in the main marrying ages. By the main marrying ages we mean those between the first and third quartile ages at first marriage according to recent experience, or approximately ages 18 to 22 for females and 20 to 24 for males.

In the early 1950's there were about 104 males per 100 females in the main marrying ages. In the late 1950's this ratio had dropped to 99 per 100, and in the early 1960's it was only 94. In the latter half of the 1960's it will be only about 93 and will return to 99 per 100 in the early 1970's.

These figures describe, in broad terms, the "marriage squeeze" that has resulted from the fact that the girls born in the postwar baby boom have come of age (for purposes of marriage) sooner than the boys. Generally speaking, the squeeze can be resolved in any or all of several ways: by the boys marrying for the first time at younger ages, or by the girls marrying for the first time at older ages or marrying older widowed and divorced men or older single men who might not otherwise have married. Or, it is possible that more girls will ultimately not marry at all.

Any of these ways out of the squeeze involves a sequence of changes in age at marriage and in the difference between the ages of the husband and wife.

The evidence so far available suggests that in the first half of the 1960's the marriage squeeze was resolved in large part by changes in the marriage patterns of the women and not by alteration of the trend of ages at first marriage for men. The data in figures 2 and 4 show no acceleration in the downward trend of ages of men at first marriage. This fact may be construed as implying that, up to now, the young men have been successfully warding off any pressure from the mounting numbers of marriageable young women.

The marriage squeeze will continue through the present decade. If the pattern of ages for men at marriage in the last half of the 1960's is like that observed in the first half of the 1960's, then over half a million women will have to postpone getting married (table 1). This figure represents the differ-

Table 1.--Test Projections of Marriages, 1965 to 1985
(In millions)

Period (beginning and ending July 1)	Total marriages in period, assuming continuation of 1959 to 1964 rates for:		Difference
	Males	Females	
1965 to 1970 -----	9.3	9.9	.6
1970 to 1975 -----	10.7	11.2	.5
1975 to 1980 -----	11.9	12.3	.4
1980 to 1985 -----	12.6	12.7	.1

ence between (a) the number of women who would get married if marriages followed the rates observed for females from 1959 to 1964, and (b) the number who would marry if the number of marriages were governed by the observed marriage rates for males. Rough calculations indicate that if such a postponement occurred, it would force the median age of women at first marriage up about one-half year above the average level of 20.4 years observed in 1959 to 1964 from data on the marital status of the population. Such an increase would represent a continuation of the rise in the female age at first marriage that has been observed since the late 1950's.

Of course, in the next few years the tide may turn so that the women, rather than the men, will have their way. Thus, if the girls persuade the boys to marry prematurely, by the standards of recent years, there will be more marriages and more young husbands than otherwise.

The preceding discussion suggested the extent to which marital dissolution due to widowhood will be reduced by recent reductions in the difference between the ages of husband and wife. Additional changes toward more marriages remaining intact may be expected as a result of the anticipated upgrading of income,

inasmuch as separation and divorce are less extensive among affluent men than among the poor.

Hollywood to the contrary notwithstanding, statistics from the 1960 Census provide further confirmation of the fact that continuity of marriage is a condition that is shared less by men in the lower-status segments of the population than by the rest.

The special reports of the 1960 Census on Marital Status and Age at First Marriage devoted much attention to social and economic analysis of the patterns of marriage and dissolution of marriage among men 45 to 54 years old, a group that has reached its peak earning capacity, and among whom few additional first marriages will occur. There were 1.5 million ever-married white men in this age group with incomes of less than \$3,000, and more than 2 million with incomes of \$10,000 or more. Only 71 percent of the poor men, but 84 percent of the affluent men, were still married and living with their first wife at the time of the census. The corresponding relationship was even more striking among nonwhites than whites. These differences appear to be too great to be attributed solely to socioeconomic differences in the proportion of men whose wives have died. It follows that these differences reflect, in part, socioeconomic differences in divorce and separation. Barring major changes in the pattern of divorce and separation by socioeconomic status, the reduction of poverty should result in a substantial long-term improvement in the average stability of marriages. However, this expectation is expressed with reservations, in the light of the increases in the past few years in the percent of the population who are divorced. New data are required in order to discern whether these recent increases affect all levels of the population, or only certain segments, in which case the changes might strengthen or weaken the relationship between marital stability and socioeconomic status.

Reference has been made to estimated future marriages and changes in the marital status of the population. These projections, and the ones to follow, are test calculations produced in the course of work presently going on at the Bureau of the Census, toward the preparation of a new set of household and family projections. These projections have been prepared in order to examine the effect of various assumptions on estimates for the future. They do not constitute official projections of the Bureau of the Census. They represent a few among a variety of plausible or instructive ways of expressing the implications that recent trends may have for the future.

The family structure of the future is studied here by means of statistics on anticipated trends in the living arrangements of the population. Marriages have been projected on the assumption that the marriage rates of 1959 to 1964 will continue, and by imposing the condition that the number of marriages will be the average of the number projected separately for men and women. It is assumed further that the living arrangements of the population (as measured by percent living in families, percent maintaining their own households, etc.) will continue to change at the same rate at which they changed from 1957 to 1964.

The population assumed in these projections is the Census Bureau's Series B. The results of one set of such assumptions are set forth in tables 2 and 3.

Table 2.--Persons Per Household and Family: 1940 to 1966,
and Test Projections for 1985

Year	Persons per household			Persons per family		
	All ages	Under 18	18 and over	All ages	Under 18	18 and over
1940 -----	3.7	1.1	2.5	3.8	1.2	2.5
1950 -----	3.4	1.1	2.3	3.5	1.2	2.4
1960 -----	3.3	1.2	2.1	3.7	1.4	2.3
1966 -----	3.3	1.2	2.1	3.7	1.4	2.3
1985 (test) ---	3.1	1.2	2.0	3.6	1.4	2.2

Table 3.--Percent of Married Couples and Individuals With Their Own Household:
1965 and Test Projections for 1985

	Total, age 20 and over	20 to 64	65 and over
Married couples and individuals			
1965 -----	78	78	79
1985 -----	84	83	88
Married couples			
1965 -----	98	98	98
1985 -----	99	99	99
Individuals <u>1/</u>			
1965 -----	51	45	66
1985 -----	60	52	81

1/ All persons except married, spouse present, and inmates of institutions.

These results indicate a continued decline in the average number of adults per household and family, and little change in the average number of

children.^{4/} The figures express the average size of households and families in terms of the number of persons living together at any one point in time. The 1966 figures on children, for instance, refer to the average number now living in the household or family and not to the number born. Furthermore, the numbers of households and families include those with no children as well as those with children.

The 1985 estimate of 2.2 adults per family is very close to a minimum average. It is subject to substantial further reduction only by further reducing the number of offspring over the age of 17 who live with their parents. The average number of adults per family cannot fall much below two, since nearly 9 out of 10 families include a husband and wife.

The average size of household declines by only a small amount in the test projections; however, the amount by which it declines is slightly greater than that for the average family size. The average size of household is smaller to begin with because it takes into account persons who live alone and maintain their own home. This average is subject to greater potential decline than the average family size because there are still many people who might set up house-keeping by themselves who have not yet done so. However, there is a strong prospect for further household formation from this source if the projections in table 3 prove to be well-founded.

In 1965, about 78 percent of the married couples and individuals who might have maintained their own household were actually doing so. An individual who might maintain his own household is defined, for present purposes, as anyone 20 years old and over who is not married with spouse present, and is not an inmate of an institution. This includes heads of broken families, persons living alone, adult children and relatives in the home, lodgers, and other persons who live with a relative or share the living accommodations of someone else, and persons in rooming houses and other group quarters.

No substantial increase in the number of separate households can result from an increase in the propensity of married couples to maintain their own households, since 98 percent already do so. However, only half the eligible individuals were maintaining their own household in 1965. Recent trends suggest that this figure may rise to around 60 percent by 1985. The increase anticipated among individuals at age 65 and over is fairly striking, rising from 66 to 81 percent of the eligibles. Medicare and other social programs may cause this to rise even further, by making it possible for higher proportions of the aged who now share the homes of children to be self-sustaining, or to remove themselves from the population of eligibles, as here defined, by entering a nursing home.

^{4/} A household is all the occupants of a housing unit and may consist of one person living alone, a family and any lodgers living in, a few persons sharing an apartment, etc. A family consists of two or more related persons living in the same household.

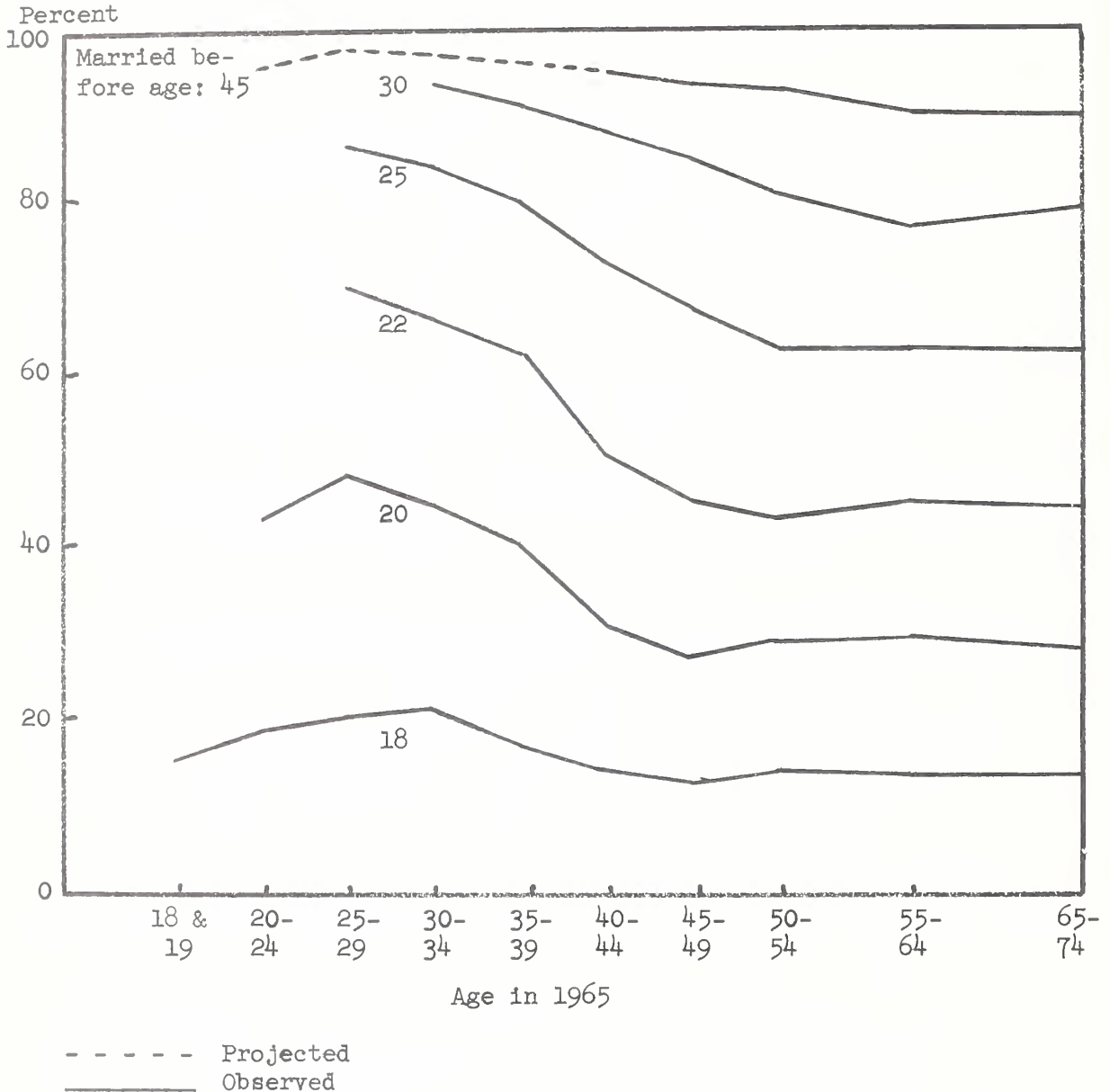
Summary

A review of recent trends in marriage and family statistics provides a basis for the following expectations, keeping in mind the foregoing qualifications:

1. Persons now in their late twenties and their thirties are more likely to marry at some time in their life than any other group on record.
2. The rate of teenage marriage, which is now on the decline, will continue to go down for a while then level off.
3. The relative oversupply of young women will tend to produce a further rise (over the short term) in the age at which women marry for the first time.
4. The compression of marriages into a narrow age range will cause marriage and household formation to be somewhat more responsive than before to changes in the number of past births from which the marrying population comes.
5. Over and above any general decline in mortality, the declines in the difference between the ages of the husband and wife will reduce the frequency of widowhood and increase the proportion of couples who survive jointly to retirement age.
6. Declines in the relative frequency of divorce and separation should result to the extent that there are reductions in poverty and general improvements in the socioeconomic status of the population.
7. The small average size of American families (in terms of related persons sharing the same living quarters) will not change very much but may come very close to a minimum size. Greater changes are likely to develop only if there are major changes in the average number of children living in the home.
8. Nearly all married couples now maintain their own household. Within the next 20 years, four out of every five aged individuals not in institutions will keep house on their own, as will half the adult individuals of other ages.

In closing, it is acknowledged that here and there the observations presented have gone a step or two beyond the projections. And, since the projections are not infallible, the future patterns could actually veer off in new directions, in which case the forecasts will prove to have been wide of the mark. However, there is reason to expect that further development of the program for preparing marriage and family projections and improvements in the data available will make it possible to reduce the area of uncertainty, and to provide prompt corrections of future readings so as to bring them in line with current developments.

Figure 1.--Percent of Women Who First Married Before Specified Age, by Age in 1965



Source: Tabulations from the March 1965 Current Population Survey, made possible by funds provided by the U.S. Public Health Service (Research Grant CH-00075, formerly GM-08262) to the American Public Health Association for a series of monographs on vital and health statistics.

Figure 2.--Percent of Men Who First Married Before
Specified Age, by Age in 1965
(Excludes men in military barracks)

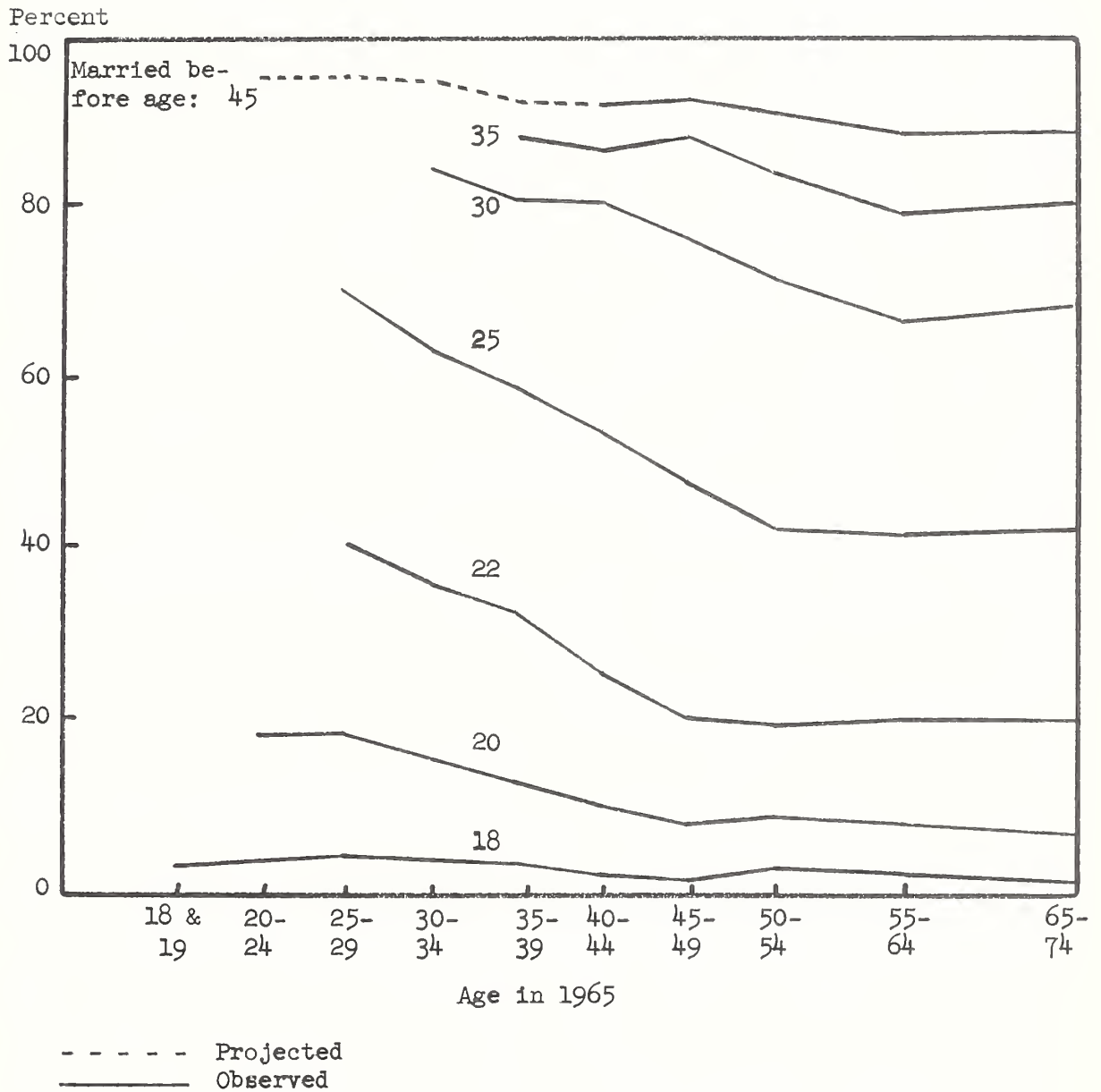


Figure 3.--Median and Quartile Ages at First Marriage,
for Females, by Age in 1965

Age at first marriage

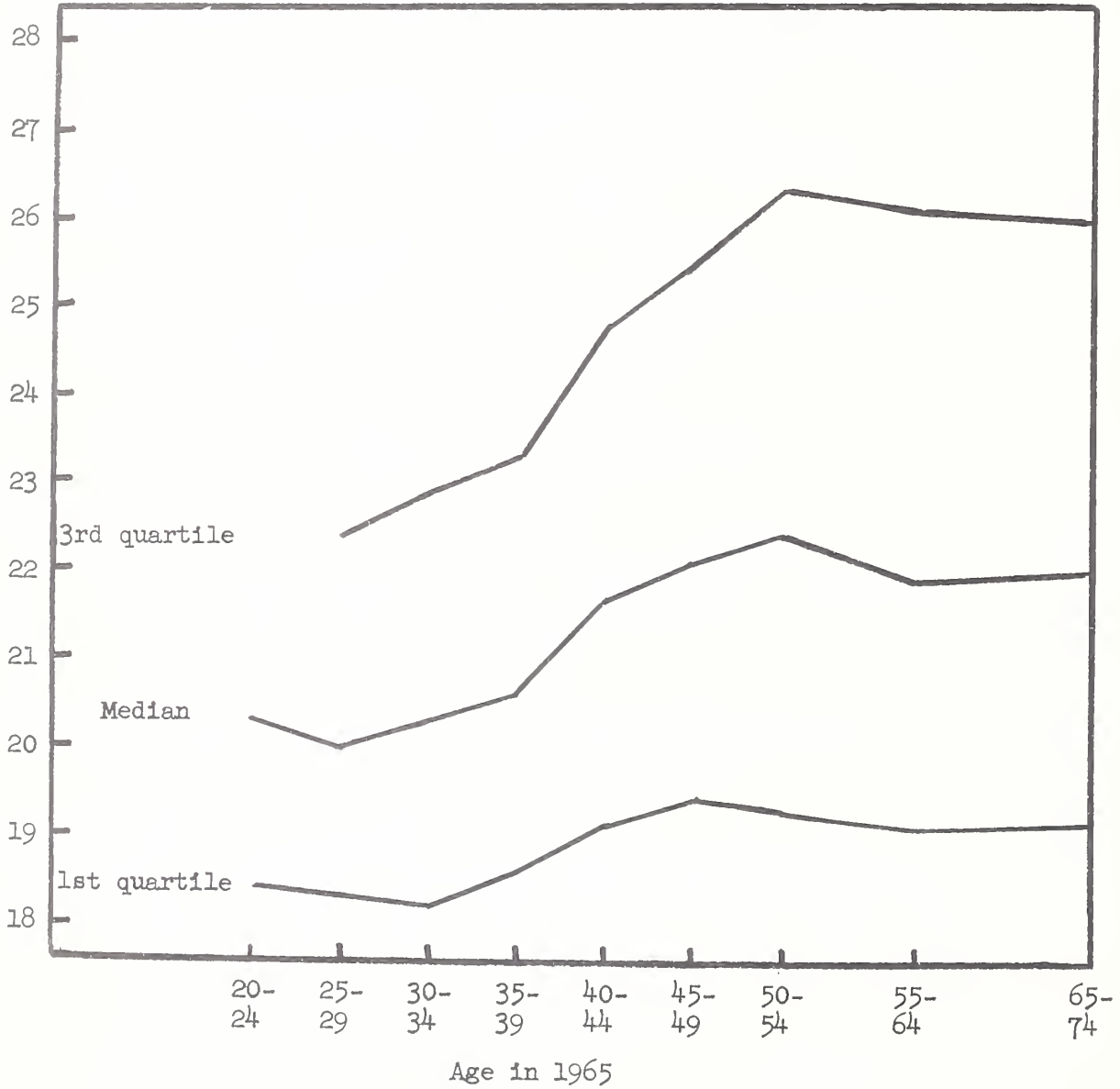
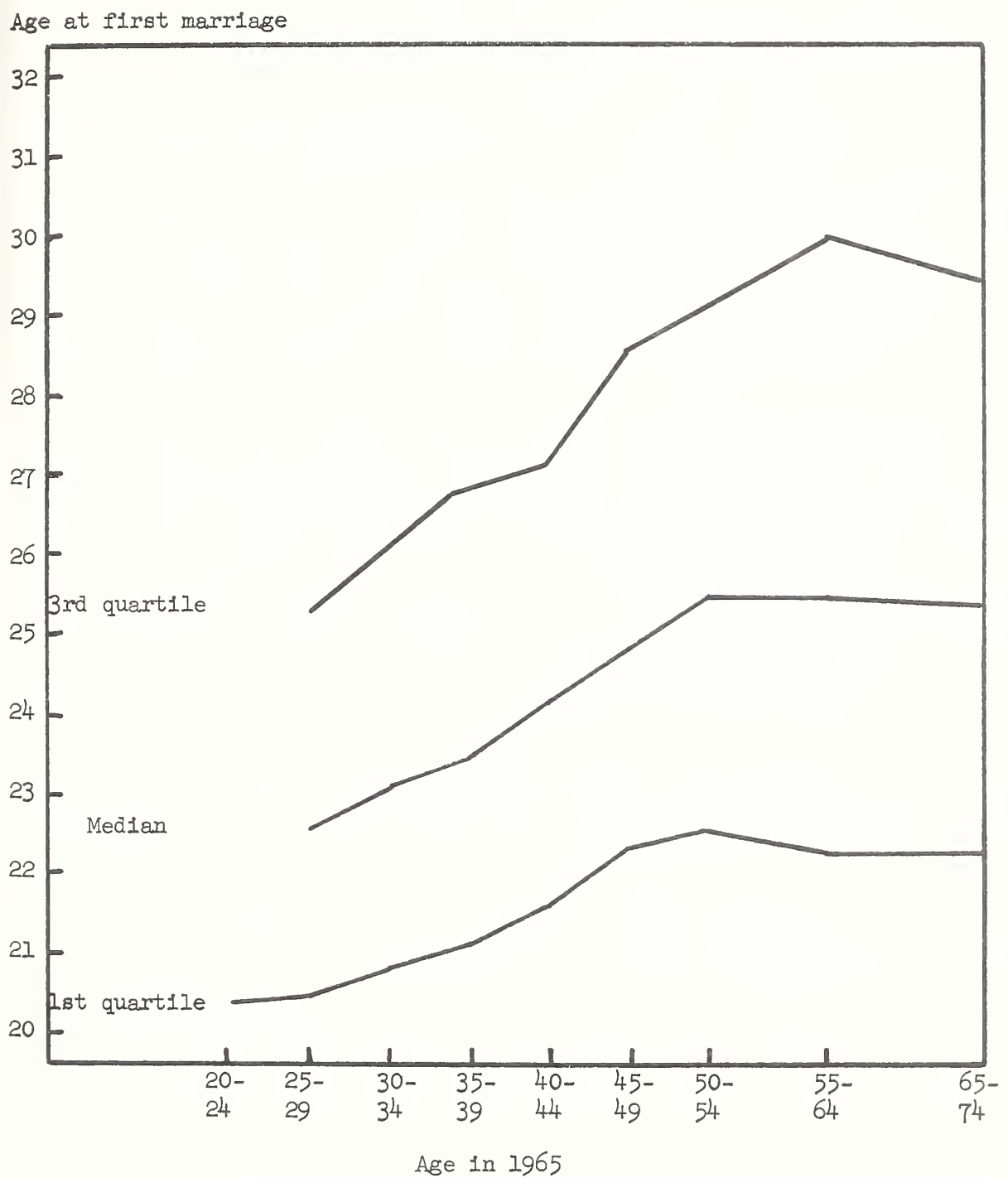


Figure 4.--Median and Quartile Ages at First Marriage,
for Males, by Age in 1965



UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

ORGANIZATION AND USE OF RESOURCES IN FARMING

Talk by W. B. Sundquist
Farm Production Economics Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:00 A.M., Tuesday, November 15, 1966

Changes in the Size and Number of Farms

Farm numbers in the United States reached their peak in the North fairly early in this century and in the South about the time of the depression some two decades or more later. Though well underway in the decade of the 40's, the decline in farm numbers has accelerated substantially since 1950. The post-1950 decline in farm numbers has been proportionately more rapid in the South where the rate of decline has been particularly high among negro families and sharecroppers. (Graph titled "Number of Farms and Acres Per Farm in the U.S.")

Available data on farm size and numbers, including those from the 1964 Census of Agriculture, show a continuation of the rapid movement toward fewer and larger farms. Preliminary Census estimates now available for most states indicate that total 1964 Census farm numbers will be in the range of 3.2 million or down about 40 percent from 1949. Between 1949 and 1964 average acreage per Census farm increased from less than 220 acres to about 350 acres. This average, of course, covers a wide range in type, size and operational intensity of farm firms. Growth in the size of many farm businesses has been even greater than the average acreage change would indicate since a number of farms have remained at or near their 1949 acreage size, much land has been farmed more intensively, and a number of specialized farms with a minimal land base have come into being.

In looking at the current organization and use of resources in farming and in projecting future developments it is helpful to get some picture of the number of farm units by type. (Table titled, "Estimated Commercial Farm Numbers by Census Classification and Type, 1964.")

Of the approximately 2.1 million Census defined commercial farms in 1964, 160,000 were cotton farms, 170,000 tobacco, 400,000 cash grain, 34,000 field crop, 60,000 fruit, 25,000 vegetable, 365,000 dairy, 80,000 poultry, 580,000 livestock, and 240,000 general and miscellaneous farms of which about 7 out of 8 were general farms.

The assistance of Donald D. Durost in providing some of the statistical materials contained herein is appreciated.

Total farm numbers, even by type, fail however to capture an adequate picture of the current and rapidly changing organization and operation of our national agricultural production plant. For example, much of the really functional change in farming in recent years has occurred in the form of geographical concentration, production intensification and enterprise specialization of our farm production units. These changes have been accompanied by a rapid increase in the use of production inputs (both goods and services) purchased off of the farm. In fact, the availability in larger quantities of such inputs and the technology they represent has had an accelerator effect on changes in the size and number of farms. A corollary functional change of substantial importance has occurred in the growth and changes in technology of firms engaged in supplying farm inputs--both goods and services--and in those participating in the marketing and processing of farm products. A functional change of particular importance to this program has been the increase in productivity of farm labor by about 150 percent between 1950 and 1965.

In 1964, more than four-fifths of all farm products going to market were produced on the less than 900,000 Census farms with gross farm income of \$10,000 or more. The 30,000 farms having sales of \$100,000 or more, on the other hand, had marketings in excess of the million farms with the lowest marketings per farm. It is primarily to the group of nearly 900,000 farms grossing over \$10,000 that the Agribusiness Complex is aiming to sell farm production inputs and to which it will gear its processing and marketing operations. It is also this group of farmers who will be producing most of the farm products in the future and who will be competing with industry for hired labor to man the production process in farming.

Interregional and Intraregional Production Changes Accompanying Specialization

Despite some contentions to the contrary, changes in the base of cropland farmed were quite proportional between major agricultural regions over the 1950 to 1965 period. (Table titled "U.S. Cropland Used For Crops, 1950 and 1965.") All regions showed some absolute decline in cropland used. A decline of approximately 10 percent in the cropland used for crops during this period is largely tied to participation in Government programs. As the situation requires returning idle land to production beginning with the 1967 crop, however, significant differences will be apparent by regions. Much of the land retirement in the Northeast and Appalachia, particularly, but also in the Lake States, will probably be of a permanent nature. Most of the retired cropland in the Corn Belt, Plains, and Delta Areas is, on the other hand, probably only temporarily retired.

It is within agricultural regions primarily and to a much lesser extent between regions that the really functional changes are occurring in agriculture. (Table titled, "Percentage of U.S. Production by Regions of Selected Commodities, 1950 and 1965.") Let me exemplify:

(1) The proportion of total U.S. production of cotton appears to have remained relatively constant between regions with only a slight increase in the proportion of total acreage located in the Southern Plains and Pacific Regions. These regional production data which suggest little locational change in cotton production, however, mask the fact that cotton production has been moving toward a concentration on the level land in the Delta, and on the irrigated lands of the West and Southwest. Within the Delta agricultural region, acreage has, in many cases, shifted from small hill farms to substantially larger tracts on the Delta proper. These shifts are largely induced by and further facilitate the profitable intensive use of chemicals, fertilizer, and mechanization in production. They are also partially induced by the desire to reduce labor requirements and when implemented they facilitate even further reductions in labor requirements.

(2) Corn production displayed some regional concentration between 1950 and 1965. Whereas the Corn Belt produced 47.5 percent of the corn acreage in 1950, it produced an estimated 62.7 percent in 1965. One has to proceed even further, however, in a locational breakout to see that corn production is concentrated even more within the level land areas of the Corn Belt which lend themselves well to an intensive row crop rotation, intensified use of chemicals and fertilizers, and intensive mechanization of corn production including use of multi-row planting equipment and picker shellers. While the Corn Belt farmers applied about 4 pounds of nitrogen on an acre of corn in 1950 they applied about 70 pounds in 1965. The rapid increase in use of chemicals for weed control is an even more recent development than that for fertilizer. Though total numbers are not yet large, two increasing phenomena in the Corn Belt are the farm operator specializing solely in corn production and the custom operator who is contracting with landowners to undertake the complete job of producing corn for a set per-acre price and employing specialized corn production equipment and technology to do it profitably.

(3) The major regional shift in wheat production between 1950 and 1965 took place via modest proportional shifts out of several regions into the Southern Plains. The latter region increased its proportion of U.S. wheat production by more than $1\frac{1}{2}$ times during this period. Mechanization of wheat production was well along by 1950, but major increases in use of fertilizer and chemicals, combined with larger acreages per farm occurred during the 1950 to 1965 period. The quantity of plant nutrients applied per acre of wheat land harvested doubled in the 10-year period from 1955 to 1965 and future increases may be even more rapid now that fertilizing is a general practice.

(4) In livestock production the 29.4 percent share of the Corn Belt in 1950 had declined to 23.8 percent in 1965. The Northeast and Lake States regions reduced their percentage of livestock production during this period despite substantial increases in their share of total dairy production. Though not easily measured, there appears to be a substantial increase in livestock operations, particularly cattle feeding, which have only a minimal

land base and which are specialized in livestock production only. Many fewer farmers are now keeping livestock but keeping larger enterprises than was the case even three, four, or five years ago. For example, in the 5-year period between 1959 and 1964, the three Corn Belt States of Illinois, Indiana, and Iowa had a reduction in hog numbers of about 10 percent and a reduction in hog producers of almost 30 percent. An increased number of steers and bulls in 1964 over 1959 of 11 percent were kept in the same states on about 13 percent fewer farms in 1964 than in 1959. The drop in numbers of farms keeping dairy cows and the increase in average herd size is occurring even more rapidly than for other classes of livestock in several major regions.

(5) Location of fresh vegetable production changed only modestly between 1950 and 1965 with a slight proportional shifting out of the Northeast and into the Pacific Region. A much more substantial shift occurred in the proportion of vegetables produced for processing which shifted heavily from the Northeast to the irrigated areas of the Pacific Region, particularly California. By 1965 about 40 percent of the vegetables for processing were produced in the Pacific Region and approximately one-half of that percentage in the Northeast.

(6) Finally, production of eggs shifted proportionally from the Northern to the Southern and Pacific Regions between 1950 and 1965 while broiler production shifted to the Southeast and Delta Regions. Accompanying these regional shifts were substantial shifts from traditional supplementary farm poultry enterprises to larger, more specialized enterprises, many of which are operated independently of a feed producing land base and which, therefore, use purchased feed inputs entirely.

Similar changes in location, intensification and specialization of agricultural production could be cited for most other major farm products. It might, however, be more interesting to discuss briefly the several economic forces bringing these changes about. First, some shift from North to South of labor-intensive agricultural production occurred because of improved employment opportunities and wage rates generally available for labor in the North. Second, comparative advantage has been at work in several ways. Mechanization and intensification of crop production has been particularly profitable on the productive level areas of the Corn Belt, the Mississippi Delta, the Plains wheat area, and the irrigated West. Thus crop production has intensified in these areas and moved out of areas with less productive soils and with less potential for mechanization. (Graph titled, "Crop Production Per Acre, Past and Prospective Trends.") I included this chart to show how crop production per acre has in each succeeding decade since 1930 exceeded the yields which would have been projected on the basis of achievements in the preceding decade. It is not only the development of new technology but the rearrangement locationally and organizationally to utilize this technology coupled with increased outside economic activity and employment opportunities that have had important impacts on agriculture, including the Agribusiness Complex.

Increased specialization in crop production has generally been more profitable than livestock production on those farms with an initial land base. Resources effectively used in crop production probably yielded higher returns than those in livestock production even in 1950. Since 1950 the increase in productivity per acre of cropland has almost doubled the rate of increase in productivity per breeding unit of livestock. Our analyses consistently show higher returns to resources in crop production than in livestock production in farming areas where land is adapted to crop production. In order to exploit the enlarged capacity of modern crop production equipment farmers have cost and profit incentives to produce crop enterprises of a size that often make them competitive with livestock both for capital and labor. Thus, some of the traditional crop-livestock farm organizations that once provided good economic combinations no longer do. In many types of farming the costs of diversification have increased very substantially. (Chart titled "Farmland Purchased for Farm Enlargement.") Much of the farm land recently purchased, over 60 percent in the western Cotton and Corn Belt farming areas and almost 80 percent in the wheat areas, has been for farm enlargement on farms specializing in crop production.

Faced with the alternative of off-farm employment and improved earnings in crop production many farmers have dropped livestock enterprises, particularly those with high labor requirements. It seems increasingly likely in view of these developments that, aside from range-type livestock, the most rapid proportional growth in livestock production will be via livestock enterprises which are largely non-land based and of a size that exploit economies of mechanization and automation of the livestock enterprises. Thus, there are indications that the separation of crop and livestock enterprises will push even further their concentration, specialization, and reliance on purchased inputs. Thus, farmers will be increasingly aware of, and their net income situation will be increasingly affected by, price and employment conditions in the non-farm sector of our economy.

Changes in Resource Use Between 1950 and 1965

(Graph titled, "Major Input Groups As a Percentage of Total Inputs.") This chart shows some of the major changes in the mix of farm inputs that have occurred over the past 15 years. Farm labor has declined from 40 percent to 21 percent of total inputs. Real estate has been a consistent proportion of 15 percent when based on 1947-49 price weights. The market value of real estate assets has, of course, increased tremendously over this period. Although power and machinery show only a small increase, tractor and equipment size has increased substantially. Because of the increased capacity per machine, the number of some machines has declined substantially. An important implication of these developments is the one that we need to improve our procedures for building quality and capacity into our machinery indexes. The proportion of total inputs represented by feed, seed, and livestock, reflects increased specialization and less reliance on farm-produced inputs. This

category does not include the value of interfarm transactions which could be a very substantial item. Fertilizer and lime have shown major increases between 1950 and 1965 as have several items in the "other category", principally pesticides, interest, and real estate taxes.

In order to service the substantial land transactions that have occurred at continually higher prices and to finance a much enlarged package of purchased farm inputs, an increased volume of operator capital and credit financing has been required. Production assets used in agriculture totaled \$95 billion in 1950 and \$186.5 billion, or about double, in 1965. During this same period farm debt increased from \$12.4 billion to \$37.5 billion as farmers proceeded to update their production plant in line with modern technology. Indications are that this increase in use of credit has, for the most part, gone for sound constructive uses.

The story of the rapid growth and changing structure of the Agribusiness Complex providing input supplies and services to agriculture is an interesting but involved one which time does not permit the discussion of here. Increased services are both those related to use of specific inputs in some cases and of a more general management service type in others. ERS is in the process of developing an active program of research in this field. The farm supply industry is increasingly important to the production process in agriculture and will be the source of much of the future change in the organization and use of resources in farming.

Implications For Farm Labor

I would like to close with a brief summary of the implications of the above discussion to farm labor since this is the focus of the program that follows. (Graph titled, "Farm Employment.") As commercial agriculture has moved toward greater specialization on the farm and as off-farm firms have supplied a larger proportion of production inputs, the reduction in farm operator and family labor has been proportionately greater than that of hired labor. This trend will continue despite institutional changes, such as minimum wage legislation which will make hired labor a generally more expensive input. The reason for this is a simple one. As farm numbers decline the decline is proportionately higher among small farms which hire little, and in many cases no farm labor. At the same time much of the demand for hired labor in an increasingly specialized agriculture will be for labor with improved training and skills. Though the specific magnitudes of change will differ by size and type of farm, the rapid trend will be toward an agriculture which provides the agricultural worker (whether operator or hired) with a better set of machinery, equipment and working conditions, and which requires that he be at least as productive as his counterpart in other lines of modern-day economic activity.

Estimated Commercial Farm Numbers
by Census Classification and Type, 1964

Farm type	Number (thousand)	Farm type	Number (thousand)
Cotton	160	Dairy	365
Tobacco	170	Poultry	80
Cash grain	400	Livestock	580
Field crops	34	General	210
Fruit	60	Miscellaneous	30
Vegetable	25	All types	2,114

U.S. cropland used for crops, 1950 and 1965

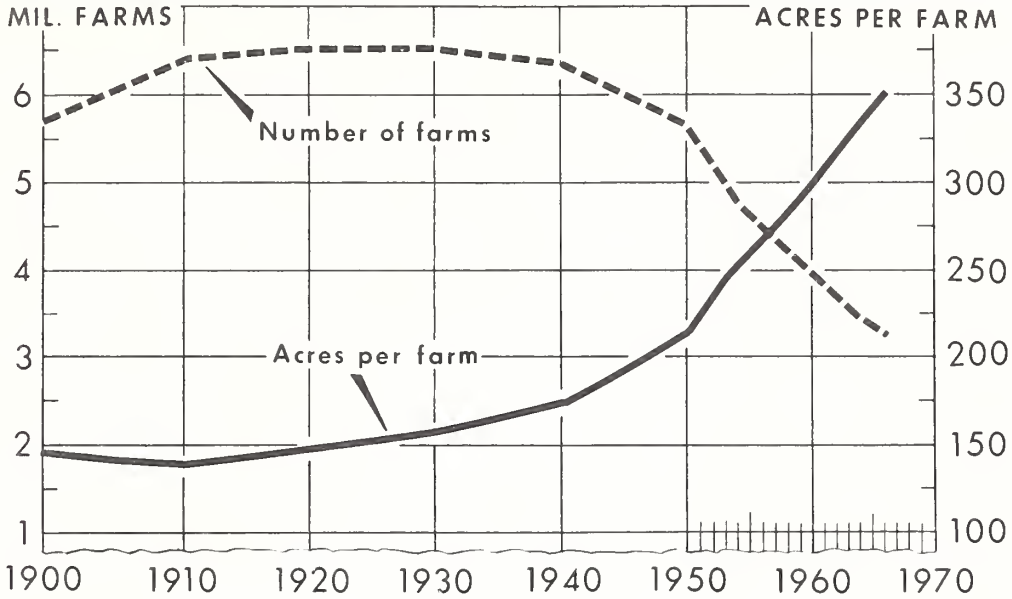
Region	Cropland		Change in percent of U.S. totals
	1950	1965	
	<u>Million acres</u>	<u>Million acres</u>	<u>Percent</u>
Northeast-----	17.1	14.3	0.2
Lake States-----	37.5	34.4	-.4
Corn Belt-----	77.2	74.3	-1.8
Northern Plains-----	93.3	83.5	-.2
Appalachian-----	21.1	15.4	1.0
Southeast-----	18.7	12.1	1.4
Delta States-----	15.3	13.5	.1
Southern Plains-----	41.7	33.4	1.1
Mountain-----	35.2	34.0	0.9
Pacific-----	20.2	19.7	-.5

Percentage of U.S. production, by regions, of selected commodities, 1950 and 1965

Region	Cotton		Corn		Wheat		Livestock	
	1950	1965	1950	1965	1950	1965	1950	1965
Northeast-----	Pct. ---	Pct. ---	Pct. 4.4	Pct. 2.9	Pct. 3.8	Pct. 2.1	Pct. 13.0	Pct. 11.4
Lake States-----	---	---	12.2	11.9	4.6	3.8	13.4	11.9
Corn Belt-----	2.5	2.6	47.5	62.7	13.3	12.7	29.4	23.8
Northern Plains---	---	---	15.1	10.1	41.6	38.9	9.7	10.6
Appalachian-----	6.0	5.8	9.0	6.3	2.0	1.5	7.7	7.7
Southeast-----	14.8	12.9	4.9	4.1	.3	.4	4.2	7.1
Delta States-----	28.5	26.9	3.3	.8	<u>1</u> /	1.1	3.3	4.8
Southern Plains---	31.8	33.7	2.7	.5	6.0	15.5	7.1	7.5
Mountain-----	6.6	6.8	.7	.4	17.9	14.3	5.5	6.8
Pacific-----	9.8	11.3	.2	.3	10.5	9.7	6.7	8.4

1/ Less than 0.05 percent.

NUMBER OF FARMS AND ACRES PER FARM IN U. S.

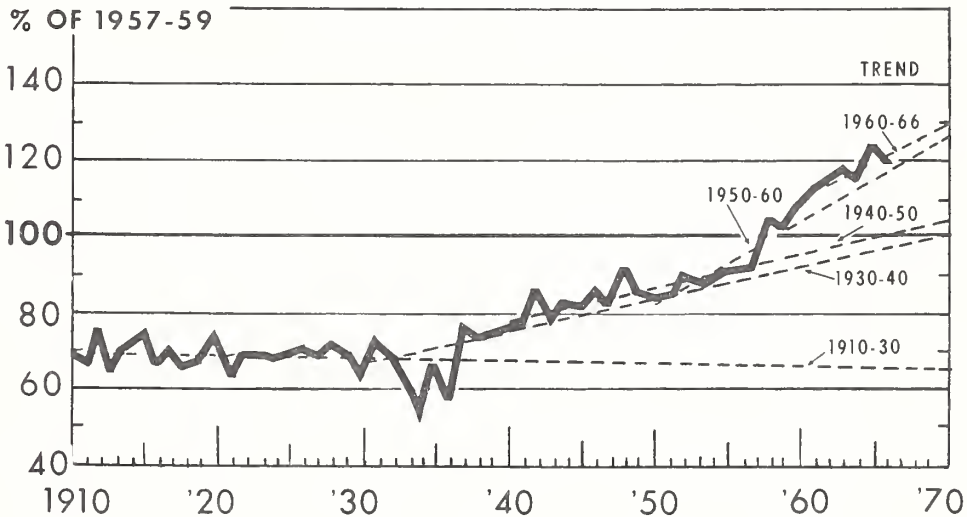


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NEG. ERS 4823-66 (10) ECONOMIC RESEARCH SERVICE

CROP PRODUCTION PER ACRE*

Past and Prospective Trends

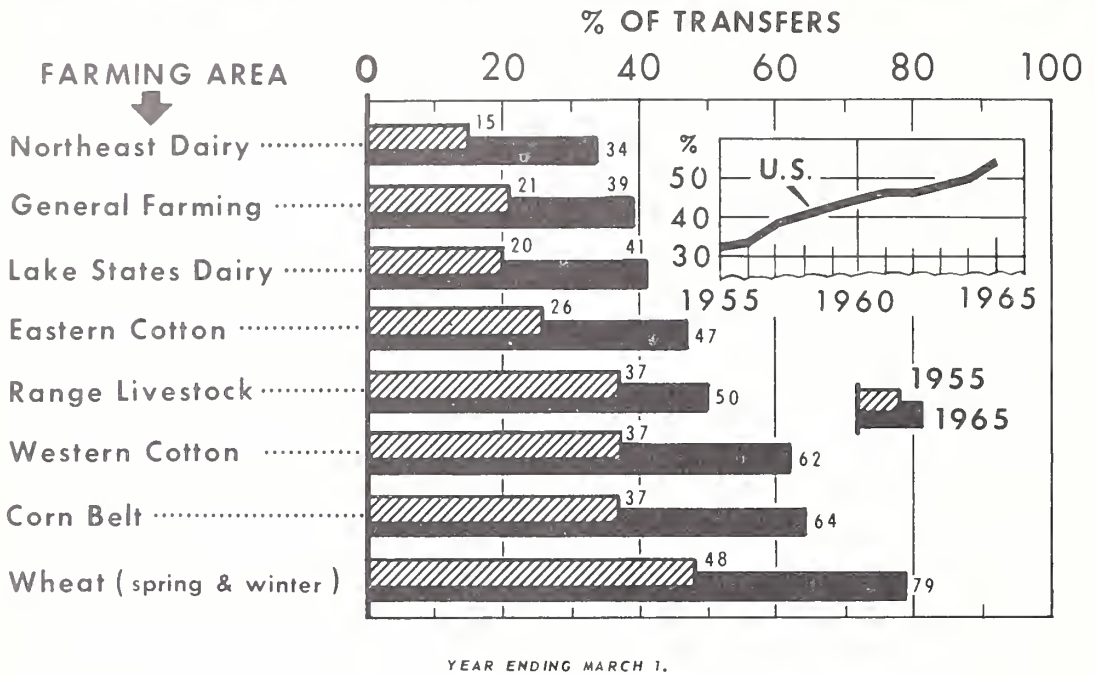


*CROPLAND USED FOR CROPS

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NEG. ERS 1239-66 (10) ECONOMIC RESEARCH SERVICE

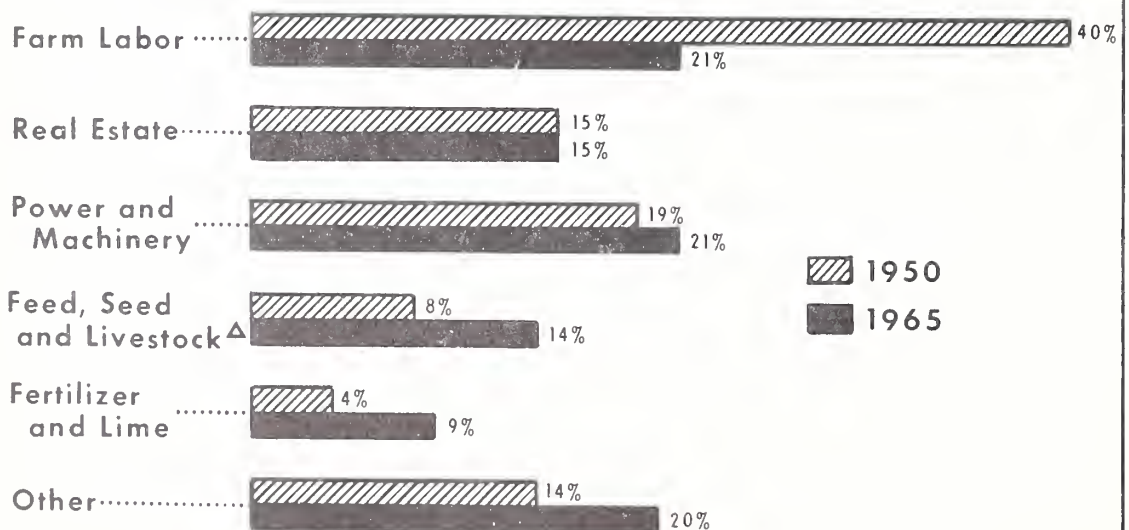
FARMLAND PURCHASES FOR FARM ENLARGEMENT



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4519-66 (7) ECONOMIC RESEARCH SERVICE

MAJOR INPUT GROUPS AS PERCENTAGE OF TOTAL INPUTS*



* BASED ON 1947-49 PRICE WEIGHTS.

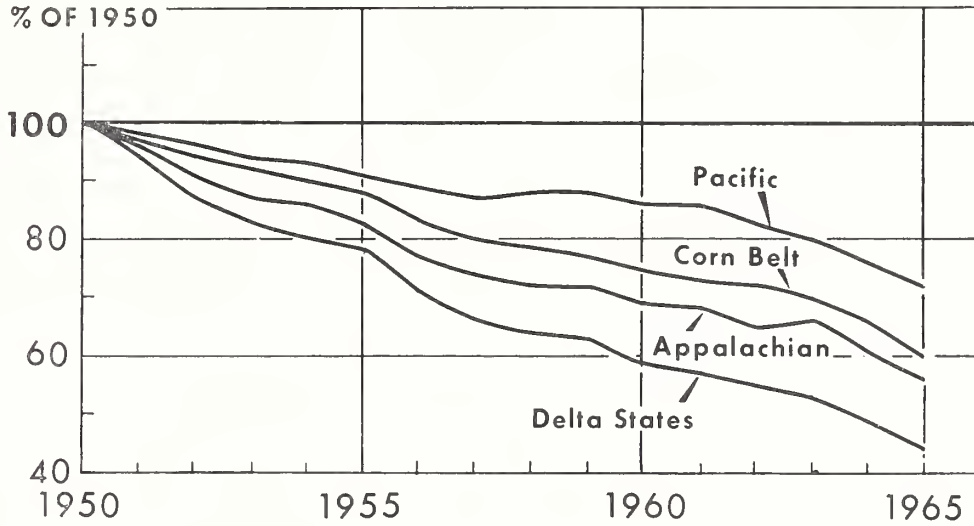
△ EXCLUDES VALUE OF INTERFARM SALES.

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NEG. ERS 4636-66 (7) ECONOMIC RESEARCH SERVICE

FARM EMPLOYMENT

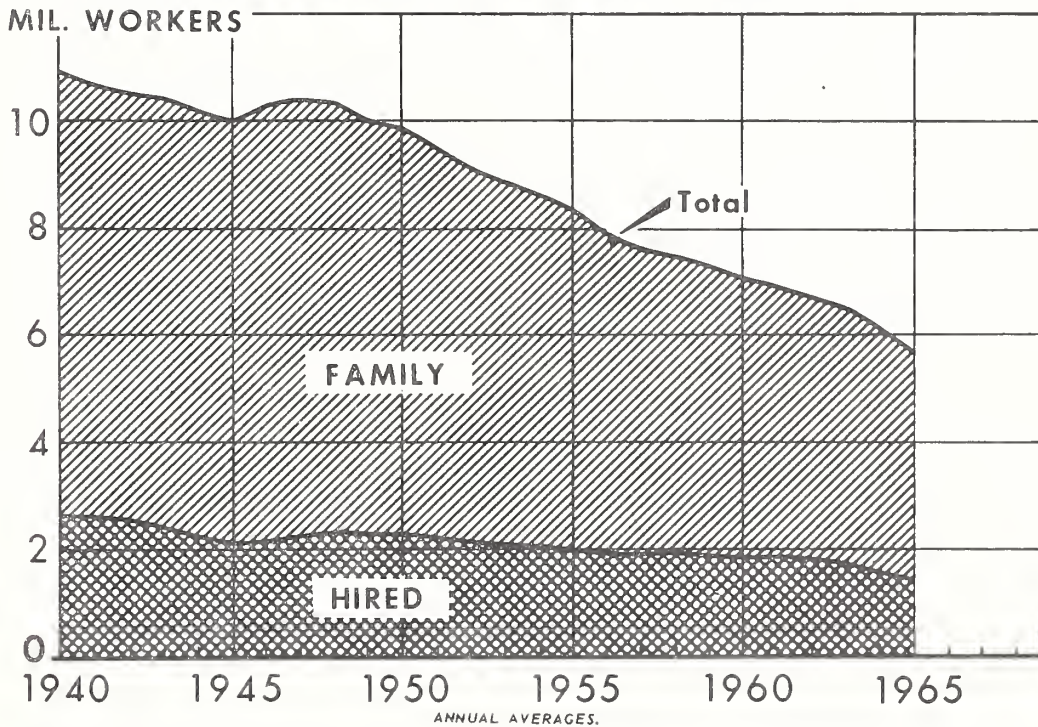
Selected Regions



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4565-66 (6) ECONOMIC RESEARCH SERVICE

FARM EMPLOYMENT, 1940-65



U. S. DEPARTMENT OF AGRICULTURE

NEG. SRS 144-66 (7) STATISTICAL REPORTING SERVICE

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

TRENDS AND OUTLOOK FOR RURAL MIGRATION*

By Calvin L. Beale, Vera J. Banks, and Gladys K. Bowles
Economic Development Division
for the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:30 a.m., Tuesday, November 15, 1966

In a chapter in the forthcoming book, "Rural People in the American Economy," (1)** the Economic Development Division presents illustrative projections of the rural population and rural labor force for the year 1970. Projections were made on two bases to illustrate the range of rural growth or migration that might occur in the decade following the 1960 Census of Population (Table 1).

In Projection A it was assumed that growth would be determined by the balance of projected births and deaths only, and that there would be no net outmigration. In Projection B it was assumed that rural-urban migration rates similar to those which may have occurred in the 1950-60 decade would continue to 1970.

Civilian labor force projections were derived for each set of population projections. The labor force projections assumed a continuation to 1970 of rural labor force participation rates observed in 1960 for sex, age, farm-nonfarm groups, and that the size of the armed forces in rural areas would remain the same as in 1960.

These are very broad assumptions. But, the results will serve to illustrate the magnitude of growth in the rural population which would occur should migration cease, and the volume of migration that may be experienced given a continuation of past trends. The actual course of rural population and labor force change will likely fall somewhere between the projections--probably closer to the assumption based on continued net outmigration from rural areas.

* Based on rural population and migration data developed by the Economic Development Division, materials from the ERS-OSU-ARA net migration project now being continued at the University of Georgia, and from other sources.

** Underlined figures in parentheses refer to "Principal References Utilized," page 13 .

Table 1.--Illustrative projections of rural population and labor force, for the United States, 1970 1/

Age	Projection A--with no net migration			Projection B--with net outmigration to urban areas			Pct.
	Thou.	Thou.	Thou.	Thou.	Thou.	Thou.	
	Projected 1970 population with no migration during decade 2/	Projected 1970 population with migration during decade 2/	Projected 1970 population with no migration during decade 2/	Projected 1970 population with migration during decade 3/	Projected 1970 population with migration during decade 3/	Projected 1970 population with migration during decade 3/	
Total, all ages	54,054	63,792	+9,738	53,845	-209	-9,946	-15.6
0-9 years	12,344	14,709	+2,365	11,571	-773	-3,138	-21.3
10-19	10,214	12,252	+2,038	10,926	+712	-1,326	-10.8
20-29	6,100	10,151	+4,051	6,679	+579	-3,472	-34.2
30-44	10,019	9,250	-769	8,391	-1,628	-859	-9.3
45-64	10,345	11,786	+1,441	11,060	+715	-728	-6.2
65 and over	5,033	5,644	+611	5,220	+187	-424	-7.5
TOTAL RURAL POPULATION							
Total, 14 years and over	18,212	21,667	+3,455	18,227	+15	-3,440	-15.9
14-19 years	1,418	2,013	+595	1,726	+308	-287	-14.3
20-29	3,345	5,930	+2,585	3,852	+507	-2,078	-35.0
30-44	6,233	5,802	-431	5,266	-967	-536	-9.2
45-64	6,283	6,915	+632	6,492	+209	-424	-6.1
65 and over	933	1,006	+73	892	-41	-114	-11.3
RURAL CIVILIAN LABOR FORCE							

(Footnotes for Table 2 appear at the bottom of page 12).

Projecting the rural population and labor force is difficult not only from uncertainty over the future course of events, but from difficulty in measuring past migration. And it is the level of migration which -- more than natural increase -- will determine the future size of the population and labor force. Migration in turn will be heavily influenced by the course of economic development. On the other hand, economic factors are not the only ones that motivate people to remain in, leave, or move to rural areas. Many rural young people express the desire to live in urban areas. Their preference may be related to style of life, or may stem from the type of occupation they wish to pursue. Others prefer to live in rural areas. Often the opinion is expressed that the rural environment is a good one in which to rear children, and certain rural areas attract people as retirement centers.

In the event there were no migration, the rural population would grow by about 9,738,000 (54,054,000 in 1960 to about 63,792,000 in 1970), for an increase of 18 percent. By far the most rapid growth would occur at ages 20 to 29. About 4,000,000 increase would occur in this age group. This would result from two factors. Young people entering this age during the 1960's were born during a period of high birth rates and are more numerous than the birth groups that preceded them. More importantly, however, this is the age group at which the heaviest migration to urban areas normally occurs. Therefore, if the migration of rural youth should cease, the number of young rural adults would increase very rapidly.

In the absence of migration, the population under 20 years old would grow by about 20 percent. Among those 10 to 19, the increase would come largely from the halting of migration among older teenagers. The number of children under 10 is greatly affected by the number of young adults of childbearing age in the population. With the rapid growth of persons 20 to 29, the number of children born to the rural population would rise by 19 percent even without any increase in fertility rates per family. At ages 30 to 44, declines in population would occur as persons born during the low birth rate years of the depression reached these ages. At age 45 and above substantial gains would result.

Suppose on the other hand that migration rates from the rural population continued during the 1960's at levels similar to those which are thought to have prevailed during the 1950's (Projection B).

We say "thought to have prevailed" because we have no way really to determine the precise level, composition, and patterns of rural migration which occurred in the 1950's, because of reclassification of population from rural to urban without movement, resulting from changes in rural-urban definitions, changing boundaries of urban places, and the like. However, some materials have been developed which will illustrate some of the important features of rural-urban migration in recent decades.

Between 1940 and 1960, an estimated 21 to 22 million people may have left rural areas and remained in urban places or lived in communities that became urban in character. Also, additional millions left rural areas but returned. (2).

The decrease in the rural-farm population between 1940 and 1960 and the net outmigration of rural people appears to be about the same. A quick interpretation might be that rural-nonfarm people did not migrate, but this is not the case. Although the technological revolution within agriculture has directly reduced the number of jobs in farming, it has also reduced the number of nonfarm jobs in many rural areas. In many areas, rural business firms dependent upon people for their livelihood have disappeared along with the people. On the other hand, areas in Florida, California, and Nevada and elsewhere have experienced increase in rural population (Chart 1). For the most part areas of growing rural population have had large farm population losses, but agriculture has not been the principal rural activity in them and gains of rural-nonfarm people have more than offset farm losses.

The net change between 1950 and 1960 through migration (and reclassification of residence from rural to urban) was probably somewhere around 10 million persons.

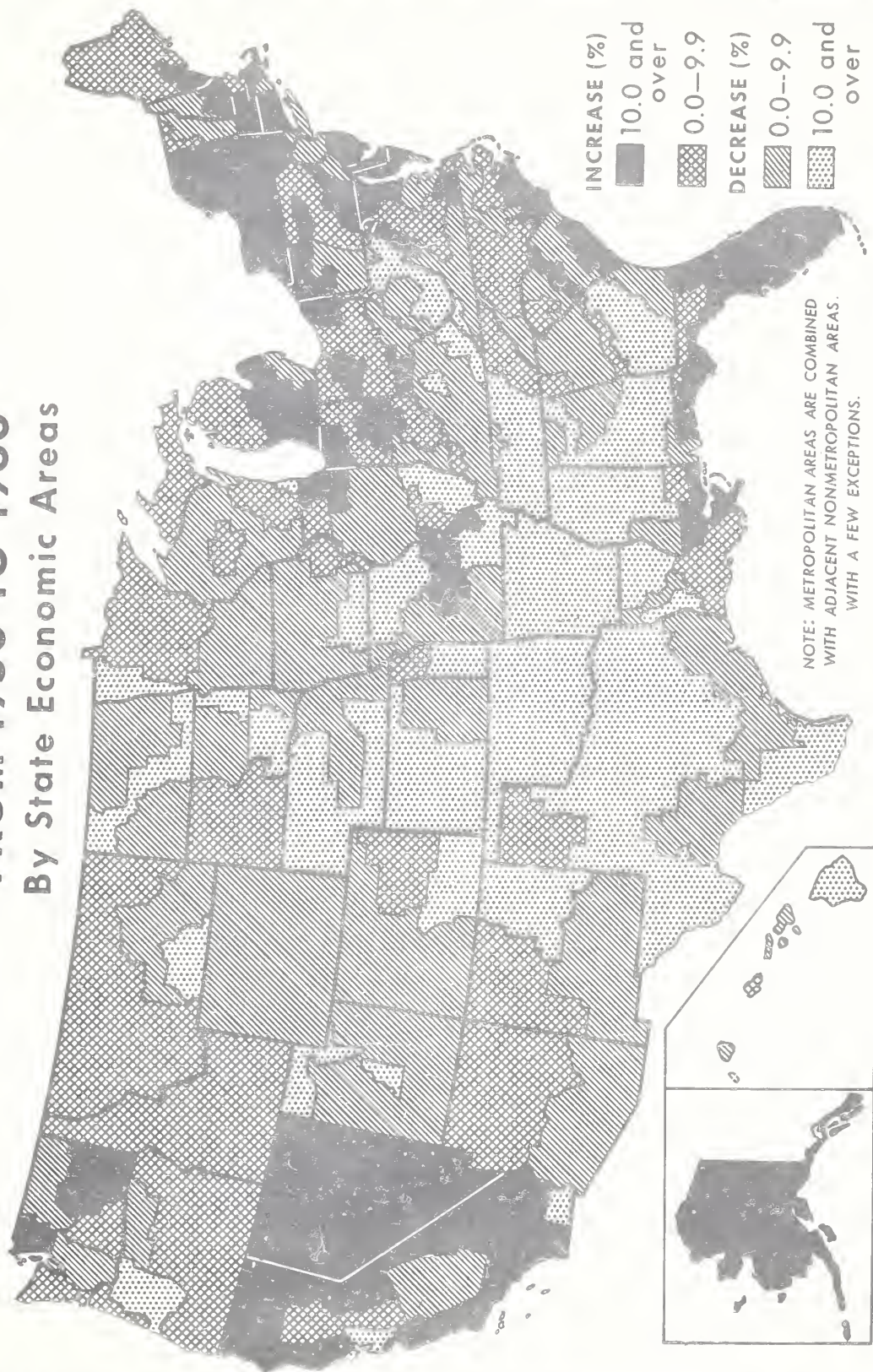
The rate of outmigration of nonwhites was probably significantly higher than that of whites. This is partly explained by the fact that a somewhat higher percentage of the rural nonwhites were in the farm population, which normally has high migration rates (Chart 2) (3, 4). The migration rate for females may have exceeded that for males by a relatively small margin.

The most significant single aspect of the rural migration is the strong selectivity by age. It is likely that around two-thirds of the net rural outmigrants were under 30 years at the end of the 1960 decade. Rates of migration are usually highest for the age groups passing through the upper teens, the time that formal precollege schooling typically ends. The peak age group for nonwhites usually comes later, and the rate does not decline from the peak as rapidly as it does for whites. Age does not seem to play a significant role for whites after age 30, whereas for nonwhites the age effect continues until about age 45. Females have higher rates in both the early and late years, but lower rates in the 25 to 35 range.

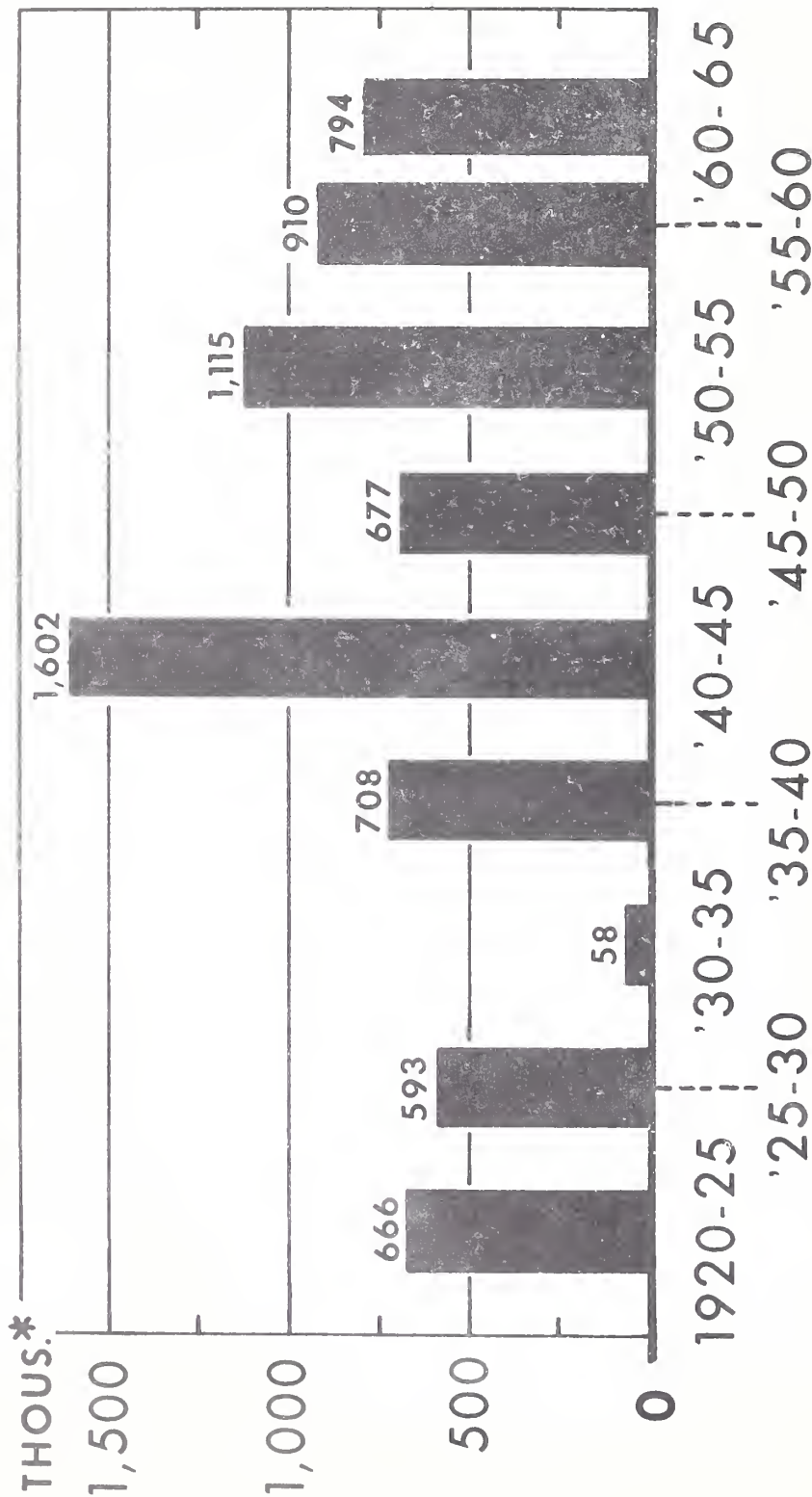
Regional differences in rural outmigration and urban immigration are substantial. The three major inter-regional flows of rural migrants are (1) Southern white people moving to the North Central Region and to the West, (2) Southern Negroes moving to metropolitan areas in all regions, and (3) whites going from the North Central to the West. However, the great majority of rural migrants remain in their region of origin, with the exception of Southern Negroes.

RURAL POPULATION CHANGE FROM 1950 TO 1960

By State Economic Areas



AVERAGE ANNUAL NET OUTMIGRATION FROM THE FARM POPULATION



* NET CHANGE THROUGH MIGRATION AND RECLASSIFICATION OF RESIDENCE FROM FARM TO NONFARM.

Some of the most reliable data we have on rural migration comes from the ERS-OSU-ARA net migration project (5, 6), in which migration estimates and rates were developed for groups of counties classified on a rural/urban continuum.

From 1950 to 1960, a net of 4.6 million persons left the predominantly rural counties of the United States (those in which less than half of the population was urban in 1950) (Chart 3). On a regional basis all of this net loss occurred in the South and the North Central States. The Northeastern States, in which the rural population is generally increasing, showed a gain of .4 million through migration in predominantly rural counties. The West experienced almost no net change through migration in such counties, although there was much internal redistribution within the West.

Predominantly urban counties showed a net immigration of 7.3 million persons during the decade. The difference between the immigration into these counties and the loss from rural counties is accounted for by international immigration. Nearly seven-eighths of the urban gain occurred in the West and the South. The rest of the gain occurred in the North Central States. The Northeast showed a migration loss of .1 million in predominantly urban counties, but this represented the net of .6 million loss of white population and .5 million gain of nonwhites. Estimates and rates of net migration for the rural-urban groups of counties for age-sex-color groups of the population are shown in table 2.

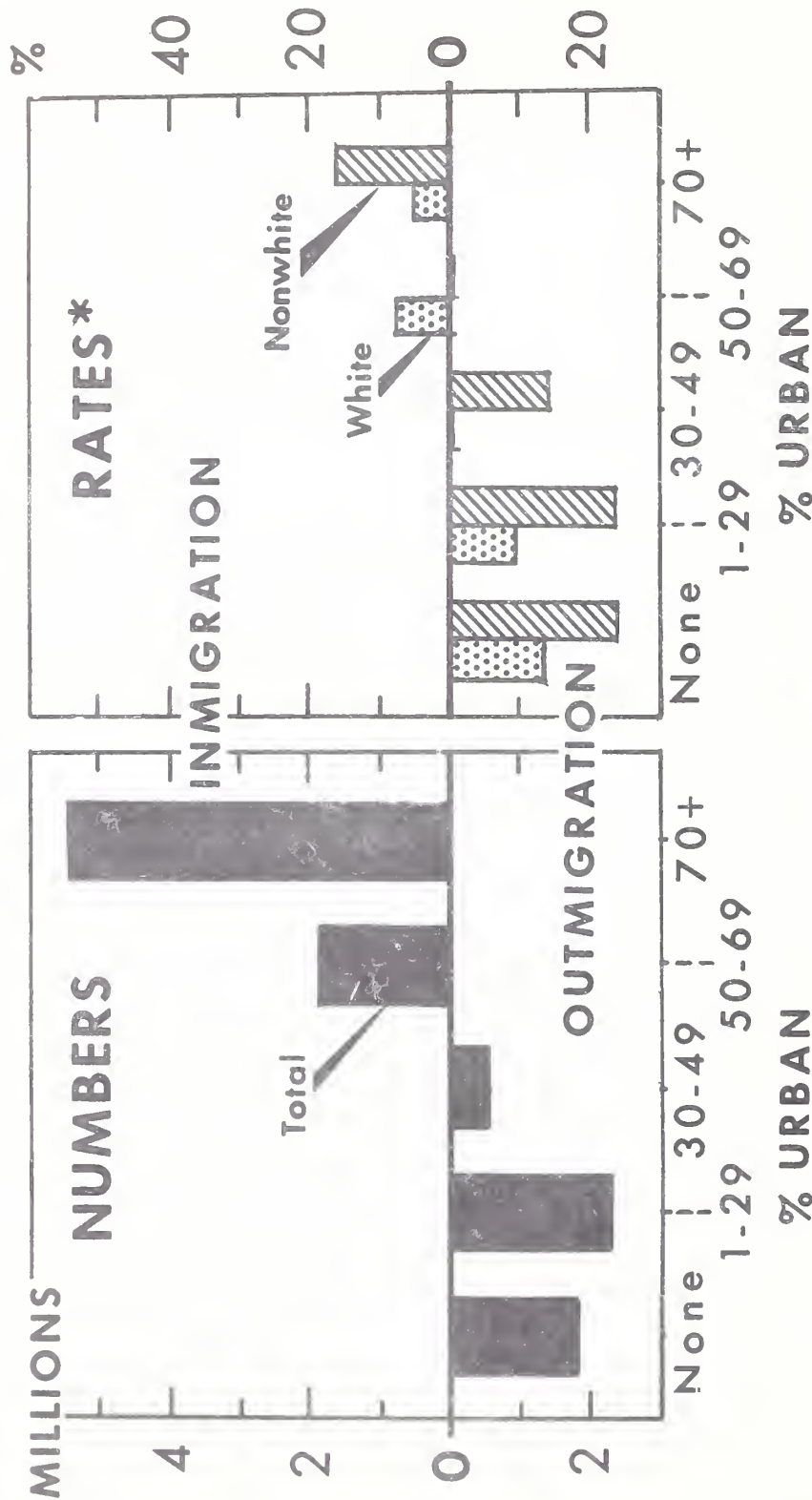
In the event that migration patterns similar to those of the 1950's prevail, the 1970 rural population would number about 53,845,000, some 200,000 smaller than in 1960, and nearly 10 million smaller than the number that would be present without migration. Of this difference, about 6.8 million would stem from the migration of people alive in 1960 and 3.1 million would result primarily from the smaller number of births that would occur in the rural population during the decade. All age groups would be expected to experience some net outmigration. The rates of migration would be less than 10 percent for all ages above 30. However, for persons 10 to 19 years old in 1960 and becoming 20 to 29 by 1970, the migration would amount to 34 percent.

The absence of net migration to urban places would imply an increase in the rural labor force of 3,455,000, a growth of 19 percent. And if these people were to be employed, an equal growth in jobs located in rural areas or accessible to rural residents by commuting would be required. Four-fifths of the additional jobs would have to be available for workers under 30 years of age in 1970, even if this group also absorbed all of the jobs made available by the 431,000 decline in workers 30-44 years old.

The number of additional nonagricultural jobs needed would be considerably larger than 3,455,000, however. The Economic Research Service has estimated that the number of commercial farms is likely to decline by 800,000 during the 1960's.

NET MIGRATION, 1950-60

Counties Grouped by % Urban in 1950



SOURCE: ERS-OSU - ARA NET MIGRATION PROJECT. *CHANGE DUE TO NET MIGRATION EXPRESSED AS A PERCENTAGE OF PERSONS EXPECTED TO SURVIVE TO THE END OF THE DECADE.

Table 2.--NET MIGRATION BY AGE, COLOR, AND SEX: UNITED STATES--ALL RURAL

AGE 1960	TOTAL	TOTAL MALE	FEMALE	TOTAL	WHITE MALE	FEMALE	TOTAL	NONWHITE MALE	FEMALE
NET MIGRATION									
ALL AGES	1836247-	898627-	937620-	1395034-	687522-	707512-	441213-	211105-	230108-
0-4	4512-	2187-	2325-	5970	3125	2845	10482-	5312-	5170-
5-9	100230-	48894-	51336-	61426-	30630-	30796-	38804-	18264-	20540-
10-14	173558-	84052-	89506-	126734-	61915-	64819-	46824-	22137-	24687-
15-19	246844-	109217-	137627-	199046-	87514-	111532-	47798-	21703-	26095-
20-24	445489-	216082-	229407-	367232-	180257-	186975-	78257-	35825-	42432-
25-29	355859-	190416-	165443-	280343-	153531-	126812-	75516-	36885-	38631-
30-34	137238-	77093-	60145-	94588-	55659-	38929-	42650-	21434-	21216-
35-39	97506-	53557-	43949-	72151-	40287-	31864-	25355-	13270-	12085-
40-44	72042-	37727-	34315-	55192-	28913-	26279-	16850-	8814-	8036-
45-49	60538-	31603-	28935-	46600-	24557-	22043-	13938-	7046-	6892-
50-54	44151-	22577-	21574-	33204-	17397-	15807-	10947-	5180-	5767-
55-59	30099-	13003-	17096-	20614-	8615-	11999-	9485-	4388-	5097-
60-64	17130-	4907-	12223-	9367-	1611-	7763-	7763-	3296-	4467-
65-69	6301-	2908	9209	4337-	4253	8590-	1964-	1345-	619-
70-74	6923-	3005	9928-	4842-	3719	8561-	2081-	714-	1367-
75+	39092-	13799-	25293-	25873-	7931-	17942-	13219-	5868-	7351-
MIGRATION RATE									
ALL AGES	15.4-	15.0-	15.8-	13.8-	13.5-	14.2-	23.9-	23.2-	24.6-
0-4	.3-	.3-	.3-	.7	.7	.6	4.6-	4.7-	4.5-
5-9	8.2-	7.9-	8.6-	6.3-	6.1-	6.4-	16.1-	15.2-	17.1-
10-14	13.8-	13.1-	14.4-	12.3-	11.8-	12.8-	20.5-	19.4-	21.7-
15-19	22.4-	19.6-	25.3-	21.8-	18.9-	24.8-	25.3-	23.1-	27.6-
20-24	45.2-	43.8-	46.6-	44.5-	43.4-	45.7-	48.6-	46.0-	50.9-
25-29	40.7-	42.8-	38.6-	38.4-	40.9-	35.7-	52.7-	53.1-	52.3-
30-34	19.8-	21.9-	17.6-	16.2-	18.6-	13.6-	39.0-	40.3-	37.7-
35-39	14.3-	15.7-	12.9-	12.2-	13.6-	10.8-	27.6-	29.6-	25.6-
40-44	11.0-	11.5-	10.4-	9.6-	10.0-	9.1-	20.7-	22.1-	19.3-
45-49	9.3-	9.6-	9.0-	8.2-	8.4-	7.9-	17.6-	18.1-	17.2-
50-54	7.6-	7.6-	7.5-	6.4-	6.6-	6.3-	16.2-	15.5-	16.9-
55-59	5.8-	5.0-	6.7-	4.5-	3.7-	5.3-	15.7-	14.8-	16.6-
60-64	3.9-	2.2-	5.5-	2.3-	.7-	3.9-	16.3-	14.7-	17.0-
65-69	1.5-	1.5	4.4-	1.1-	2.5	4.6-	4.4-	6.2-	2.0-
70-74	2.1-	2.0	6.0-	1.6-	2.8	5.8-	6.6-	4.6-	8.4-
75+	9.1-	6.7-	11.2-	6.8-	4.4-	8.9-	26.7-	24.8-	28.4-

TABLE 2.--NET MIGRATION BY AGE, COLOR, AND SEX: UNITED STATES--1 TO 29 PERCENT URBAN

AGE 1960	TOTAL	TOTAL MALE	FEMALE	TOTAL	WHITE MALE	FEMALE	TOTAL	NONWHITE MALE	FEMALE
NET MIGRATION									
ALL AGES	2271022-	1121241-	1149781-	1520897-	760680-	760217-	750125-	360561-	389564-
0-4	43023-	21416-	21607-	14145-	7549-	6596-	28878-	13867-	15011-
5-9	153956-	76689-	77265-	78674-	39956-	38718-	75280-	36733-	38547-
10-14	211767-	103272-	108495-	134666-	66322-	68344-	77101-	36950-	40151-
15-19	259083-	109457-	149626-	183879-	75884-	107995-	75204-	33573-	41631-
20-24	511305-	245572-	265733-	384549-	186748-	197801-	126756-	58824-	67932-
25-29	490642-	241266-	209376-	324641-	179130-	145511-	126001-	62136-	63865-
30-34	201011-	112637-	88374-	124915-	74693-	50222-	76096-	37944-	38152-
35-39	130902-	71121-	59781-	85364-	47695-	37669-	45538-	23426-	22112-
40-44	89830-	48098-	41732-	61345-	33586-	27759-	28485-	14512-	13973-
45-49	73239-	38772-	34467-	50224-	27597-	22627-	23015-	11175-	11840-
50-54	51644-	27267-	24377-	33189-	18489-	14700-	18455-	8778-	9677-
55-59	37017-	17039-	19978-	20931-	9394-	11537-	16086-	7645-	8441-
60-64	17574-	6941-	10633-	5917-	1674-	4243-	11657-	5267-	6390-
65-69	1432-	4571	6003-	170-	6094	6264-	1262-	1523-	261
70-74	938	7025	6087-	3038	7767	4729-	2100-	742-	1358-
75+	40169-	13601-	26568-	21572-	5952-	15620-	18597-	7649-	10948-
MIGRATION RATE									
ALL AGES	12.2-	12.1-	12.3-	9.8-	9.8-	9.8-	23.7-	23.4-	24.1-
0-4	2.2-	2.1-	2.2-	.8-	.9-	.8-	7.3-	7.1-	7.6-
5-9	7.8-	7.7-	8.0-	5.0-	5.0-	5.1-	17.9-	17.5-	18.3-
10-14	10.8-	10.4-	11.3-	8.6-	8.3-	8.9-	19.9-	19.0-	20.7-
15-19	15.6-	13.0-	18.2-	13.7-	11.1-	16.3-	23.8-	21.3-	26.2-
20-24	35.2-	33.8-	36.5-	32.4-	31.3-	33.5-	47.6-	45.8-	49.2-
25-29	33.8-	35.9-	31.6-	29.7-	32.2-	27.1-	52.4-	53.9-	51.1-
30-34	17.5-	19.6-	15.4-	13.0-	15.3-	10.6-	39.9-	42.3-	37.8-
35-39	11.7-	12.9-	10.5-	8.9-	10.0-	7.8-	28.1-	30.6-	25.9-
40-44	8.5-	9.2-	7.8-	6.7-	7.4-	6.0-	20.3-	21.7-	19.0-
45-49	7.2-	7.6-	6.8-	5.7-	6.2-	5.2-	16.7-	17.0-	16.5-
50-54	5.8-	6.1-	5.5-	4.2-	4.7-	3.8-	15.8-	15.6-	15.9-
55-59	4.7-	4.4-	5.0-	3.0-	2.7-	3.3-	15.3-	15.1-	15.6-
60-64	2.6-	2.1-	3.1-	.9-	.5-	1.4-	14.2-	13.6-	14.8-
65-69	.1-	1.6	1.9-	.0-	2.5	2.2-	1.6-	4.1-	.7
70-74	.2	3.3	2.4-	.8	4.1	2.1-	4.0-	2.9-	5.0-
75+	6.4-	4.7-	7.8-	3.9-	2.3-	5.2-	23.6-	20.7-	26.2-

TABLE 2.--NET MIGRATION BY AGE, COLOR, AND SEX: UNITED STATES--30 TO 49 PERCENT URBAN

AGE 1960	TOTAL	TOTAL MALE	FEMALE	TOTAL	WHITE MALE	FEMALE	TOTAL	NONWHITE MALE	FEMALE
NET MIGRATION									
ALL AGES	488206-	224944-	263262-	46772-	17260-	29512-	441434-	207684-	233750-
0-4	58086	30091	27995	73600	37654	35946	15514-	7563-	7951-
5-9	37900	23017	14883	81207	44601	36606	43307-	21584-	21723-
10-14	8151-	657	8808-	33736	20402	13334	41887-	19745-	22142-
15-19	76261-	34016-	42245-	38707-	18157-	20550-	37554-	15859-	21695-
20-24	293583-	143201-	150382-	223937-	113491-	110446-	69646-	29710-	39936-
25-29	254968-	134422-	120546-	175256-	96330-	78926-	79712-	38092-	41620-
30-34	59696-	40516-	19180-	5731-	13396-	7665	53965-	27120-	26845-
35-39	4125	2909-	7034	34982	13357	21625	30857-	16266-	14591-
40-44	14804	9481	5323	32576	18623	13953	17772-	9142-	8630-
45-49	11468	6348	5120	25291	13143	12148	13823-	6795-	7028-
50-54	11759	6548	5211	21921	10935	10986	10162-	4387-	5775-
55-59	9169	6724	2445	18389	10417	7972	9220-	3693-	5527-
60-64	22163	13266	8897	29186	16096	13090	7023-	2830-	4193-
65-69	27380	19339	8041	25254	19237	6017	2126	102	2024
70-74	23187	18019	5168	21842	17301	4541	1345	718	627
75+	16135-	3629-	12506-	1374-	2238	3612-	14761-	5867-	8894-

MIGRATION RATE

ALL AGES	1.7-	1.6-	1.8-	.1-	.0-	.1-	14.5-	14.1-	15.0-
0-4	1.9	2.0	1.9	2.8	2.8	2.8	3.9-	3.8-	4.0-
5-9	1.3	1.6	1.1	3.3	3.6	3.0	11.1-	11.1-	11.1-
10-14	.2-	.0	.6-	1.4	1.7	1.2	12.1-	11.5-	12.8-
15-19	3.4-	2.9-	3.8-	1.9-	1.7-	2.1-	13.7-	11.6-	15.7-
20-24	15.4-	15.1-	15.8-	13.4-	13.5-	13.3-	30.0-	26.6-	33.2-
25-29	14.0-	14.9-	13.2-	11.0-	12.1-	9.8-	36.3-	36.5-	36.1-
30-34	3.3-	4.6-	2.1-	.3-	1.6-	1.0	27.9-	29.7-	26.4-
35-39	.2	.2-	.8	2.2	1.7	2.7	18.2-	20.1-	16.4-
40-44	.9	1.2	.6	2.2	2.5	1.8	11.9-	12.9-	11.0-
45-49	.7	.8	.7	1.8	1.9	1.7	9.6-	9.8-	9.3-
50-54	.9	1.0	.8	1.8	1.7	1.8	8.2-	7.4-	8.9-
55-59	.8	1.1	.4	1.7	1.9	1.4	8.3-	6.9-	9.5-
60-64	2.2	2.7	1.7	3.1	3.6	2.7	8.1-	6.9-	9.2-
65-69	3.0	4.5	1.7	3.0	4.8	1.3	2.8	.3	5.2
70-74	3.2	5.4	1.3	3.3	5.6	1.3	2.6	2.9	2.3
75+	1.6-	.8-	2.3-	.1-	.6	.6-	18.8-	16.2-	21.1-

TABLE 2.--NET MIGRATION BY AGE, COLOR, AND SEX: UNITED STATES--50 TO 69 PERCENT URBAN

AGE 1960	TOTAL	TOTAL MALE	FEMALE	TOTAL	WHITE MALE	FEMALE	TOTAL	NONWHITE MALE	FEMALE
NET MIGRATION									
ALL AGES	1841674	908001	933673	1850237	909908	940329	8563-	1907-	6656-
0-4	113266	57993	55273	107828	54991	52837	5438	3002	2436
5-9	214171	106031	108140	206182	104372	101810	7989	1659	6330
10-14	184075	93493	90582	185028	94172	90856	953-	679-	274-
15-19	207882	102643	105239	201765	98298	103467	6117	4345	1772
20-24	211755	116497	95258	205146	108400	96746	6609	8097	1488-
25-29	114507	56542	57965	118505	56834	61671	3998-	292-	3706-
30-34	89351	31458	57893	100419	38595	61824	11068-	7137-	3931-
35-39	135778	61164	74614	143240	66071	77169	7462-	4907-	2555-
40-44	121044	60180	60864	125436	63162	62274	4392-	2982-	1410-
45-49	102133	51255	50878	102353	51623	50730	220-	368-	148
50-54	81241	40138	41103	81419	39769	41650	178-	369	547-
55-59	62217	29343	32874	62698	29313	33385	481-	30	511-
60-64	64533	29337	35196	65934	29975	35959	1401-	638-	763-
65-69	60067	30454	29613	59896	30955	28941	171	501-	672
70-74	50634	27332	23302	50122	27181	22941	512	151	361
75+	28943	14124	14819	34239	16216	18023	5296-	2092-	3204-

MIGRATION RATE

ALL AGES	7.0	6.9	7.0	7.6	7.6	7.7	.3-	.1-	.5-
0-4	3.6	3.6	3.5	3.8	3.8	3.8	1.8	1.9	1.6
5-9	7.6	7.4	7.9	8.1	8.1	8.2	3.0	1.2	4.8
10-14	7.4	7.3	7.4	8.2	8.1	8.2	.3-	.5-	.1-
15-19	10.6	10.3	10.8	11.3	10.8	11.7	3.4	4.9	2.0
20-24	13.2	14.5	11.8	14.0	14.8	13.2	4.6	11.8	1.9-
25-29	7.0	7.0	7.0	8.0	7.7	8.3	2.6-	.3-	4.7-
30-34	4.9	3.5	6.4	6.1	4.7	7.5	6.8-	9.0-	4.7-
35-39	7.5	6.8	8.1	8.6	8.0	9.2	4.9-	6.5-	3.3-
40-44	7.3	7.3	7.3	8.2	8.3	8.1	3.3-	4.5-	2.1-
45-49	6.6	6.7	6.6	7.2	7.3	7.1	.1-	.5-	.3
50-54	6.0	6.0	6.1	6.5	6.4	6.6	.1-	.7	1.1-
55-59	5.3	5.1	5.5	5.8	5.5	6.0	.4-	.1	1.1-
60-64	6.6	6.2	6.9	7.2	6.8	7.5	2.1-	1.9-	2.3-
65-69	6.8	7.4	6.3	7.3	8.1	6.6	.3	1.8-	2.4
70-74	7.5	8.7	6.4	7.8	9.3	6.6	1.3	.8	2.0
75+	3.4	3.8	3.0	4.2	4.7	3.9	10.7-	8.7-	12.6-

TABLE 2.—NET MIGRATION BY AGE, COLOR, AND SEX: UNITED STATES—70 PERCENT OR MORE URBAN

AGE 1960	TOTAL	TOTAL MALE	FEMALE	TOTAL	WHITE MALE	FEMALE	TOTAL	NONWHITE MALE	FEMALE
NET MIGRATION									
ALL AGES	5418889	2602572	2816317	3788500	1832947	1955553	1630389	769625	860764
0-4	91820	43467	48353	32804	15356	17448	59016	28111	30905
5-9	330355	159942	170413	162750	77763	84987	167605	82179	85426
10-14	462421	220958	241463	296481	141631	154850	165940	79327	86613
15-19	532791	187529	345262	386604	128288	258316	146187	59241	86946
20-24	1143270	432049	711221	877694	325500	552194	265576	106549	159027
25-29	1283746	660081	623665	967273	509698	457575	316473	150383	166090
30-34	707247	422275	284972	498668	315471	183197	208579	106804	101775
35-39	356225	204986	151239	249929	147444	102485	106296	57542	48754
40-44	228074	125718	102356	169501	93588	75913	58573	32130	26443
45-49	210184	119025	91159	168228	95245	72983	41956	23780	18176
50-54	135147	76680	58467	106831	61657	45174	28316	15023	13293
55-59	77542	45181	32361	53377	32588	20789	24165	12593	11572
60-64	2466	4650-	7116	11886-	10677-	1209-	14352	6027	8325
65-69	43986-	40194-	3792-	56599-	42620-	13979-	12613	2426	10187
70-74	35392-	33061-	2331-	49399-	38194-	11205-	14007	5133	8874
75+	63053-	17410-	45643-	63780-	19788-	43992-	727	2378	1651-
MIGRATION RATE									
ALL AGES	5.9	5.8	5.9	4.6	4.6	4.6	15.9	15.5	16.2
0-4	.8	.8	.9	.4	.3	.4	3.6	3.4	3.7
5-9	3.5	3.3	3.6	2.0	1.8	2.1	13.2	12.9	13.4
10-14	5.7	5.3	6.0	4.1	3.9	4.4	17.5	16.8	18.3
15-19	8.7	6.1	11.3	7.1	4.6	9.5	21.9	18.0	25.8
20-24	24.0	18.3	29.6	20.7	15.4	26.1	50.0	42.5	56.7
25-29	26.3	28.0	24.7	22.2	24.0	20.5	59.5	62.9	56.7
30-34	11.5	14.4	8.8	9.1	12.0	6.4	30.5	35.3	26.7
35-39	5.2	6.2	4.2	4.1	5.0	3.3	13.8	16.1	11.7
40-44	3.6	4.1	3.1	3.0	3.4	2.6	8.5	10.0	7.2
45-49	3.5	4.1	3.0	3.2	3.7	2.7	6.7	8.0	5.5
50-54	2.6	3.0	2.1	2.2	2.7	1.8	5.5	6.0	5.0
55-59	1.7	2.0	1.3	1.3	1.6	.9	5.3	5.6	5.0
60-64	.1	.1-	.3	.2-	.5-	.0-	4.4	3.8	5.0
65-69	1.2-	2.4-	.1-	1.7-	2.8-	.7-	4.9	1.9	7.7
70-74	1.3-	2.8-	.1-	2.0-	3.5-	.8-	8.6	6.6	10.4
75+	2.1-	1.4-	2.6-	2.3-	1.8-	2.7-	.4	3.0	1.5-

Such a decline in farm operators would also be accompanied by a further drop in the number of regular hired farm worker jobs. Thus, the growth sectors of rural employment would have the burden of replacing these farm jobs as well as absorbing the natural growth of the labor force.

If the rural population experiences net outmigration similar to that of the 1950's, the rural labor force would remain almost unchanged in total size by 1970. However, this lack of overall change would still imply a growth of nonfarm job opportunities sufficient to offset the drop in farm jobs mentioned above.

With the continued decline in the man-hours of work required to conduct our agriculture, the impetus to urban migration will remain high. The rate of economic development in or accessible to rural areas that would be necessary to absorb all of the oncoming rural labor force seems far beyond the realm of achievement at the moment. On the other hand, there are a number of government programs now underway -- or proposed -- which should provide greater opportunities in rural areas than were present during the 1950's. These include the investment loans, technical and other assistance from the Public Works and Economic Development Act of 1965; the various manpower training programs; the expanded loan authorities of the Farmers Home Administration for water facilities, nonfarm business capital, and recreation enterprises; improved educational facilities encouraged by the Elementary and Secondary Education Act and by enlarged authorizations for vocational education; as well as by the increased occurrence of rural community planning resulting from the Rural Areas Development Program and the activities sponsored by the Economic Opportunity Act. But even with the most optimal impact of such programs, the number of rural migrants going to urban places is likely to continue to number in the millions in the course of the decade. The factors inducing urbanization are many and powerful, not just in the United States, or even solely in the highly developed nations, but throughout the world. The essential task is to create conditions of equality of economic opportunity, education, returns to labor, and community facilities, that permit people who prefer to live in the rural environment to do so without penalty to their levels of living or to the life prospects for their children.

Footnotes for Table 2 -

1/ Figures are rounded to the nearest thousand without being adjusted to group totals. 2/ Projections to 1970 under the assumption of no migration during 1960-70 were developed for the population 10 years old and over in 1970, by applying 10-year survival ratios to the 1960 population. For the population under 10 years in 1970, a method based on age-specific ratios of children under 5 years per 1,000 women 15-49 years was utilized. Projections were made for rural-farm and rural-nonfarm populations separately, with rural totals obtained by summation. 3/ Projections to 1970, under the assumption of rural-urban migration during 1960-70 decade, were developed by assuming that estimated rates of net migration observed during 1950-60 decade would continue through the 1960-70 decade. Migration rates were applied to rural-farm and rural-nonfarm populations separately, with rural totals obtained by summation. 4/ Estimates of 1960-70 net migration expressed as a percentage of the population that would survive to 1970.

Source: 1960 Census of Population and unpublished data from Economic Research Service, USDA.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR LIVESTOCK AND MEAT

Talk by Robert L. Rizek
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 3:10 P.M., Tuesday, November 15, 1966

The livestock situation is expected to continue favorable to producers next year. Prices of cattle and lambs are expected to continue strong and average above 1966. Although hog prices will be off from this year, they should continue above other recent years.

Two developments this year will have a significant influence on the livestock economy not only next year but for several years as well. Cattle producers reduced their inventories by heavy slaughter in 1965 and again this year in response to the low prices in 1963 and 1964. This brought beef production to record levels this year, both in the aggregate and per capita. Cattle prices, however, have been higher this year despite record production, mainly because of the improved demand for beef. Cattle prices will be higher again next year, and the improved outlook is apparently encouraging producers to again build up breeding herds.

The second major development has been the moderate--rather than excessive--expansion in hog production despite record high prices. As a result, the hog enterprise is expected to continue profitable and lead to a probable further expansion in output into 1968.

CATTLE

Cattle slaughter this year will total about 34 million head. Beef production will total around 19 billion pounds. At this level, beef output would be around 3 percent larger than last year and almost 8 percent above 1964 when prices were unusually low. Per capita beef consumption will average over 102 pounds in 1966, up from 99.3 pounds in 1965 and above the previous record of 100.1 pounds in 1964.

Cattlemen began sending considerably more cattle to slaughter after cattle prices dropped in 1963 and 1964. The increase in slaughter was accelerated by continued sharp liquidation of dairy animals. Slaughter rose 31 percent between 1962 and 1965, with gains of 56 percent and 37 percent in cow and heifer slaughter. The number of cattle and calves on farms declined from 107.2 million head on January 1, 1965, to 106.6 million head at the beginning of this year. A further decline of 1.5 to 2 percent is taking place this year.

Despite the record supply of beef, plus a near-record supply of total meat, cattle prices have been relatively strong this year. Prices received by farmers for beef cattle likely will average around \$22.00 per 100 pounds, compared with \$19.90 last year, and \$18.00 the year before.

Choice steer prices were sharply higher earlier in the year than in 1965. However, since midyear they have been around \$2.00 lower. The more notable advance has been in cow prices, which reached the highest level since 1959. Prices of Utility cows at Chicago likely will average about \$18.00, up from \$14.46 in 1965 and \$13.74 in 1964. Cow prices rose despite increased cow slaughter into June and sharply increased beef imports. The strength in slaughter cow prices this year in the face of large supplies of manufacturing type beef, indicates that the demand for this kind of beef is growing rapidly.

In addition to the price strength for cattle, another main feature of the situation this year has been the large increase in heifer slaughter. Larger slaughter of heifers has accounted for most of the increase over 1965 in total number of cattle slaughtered, steer slaughter will be up only slightly while calf and cow slaughter will be down. This year's rise in heifer slaughter, continuing a trend of the past few years, reflects in part the structural changes that have been occurring in the industry--moving more heifers through feedlots at the expense of calf slaughter.

Cow slaughter was also at a high level through the early part of this year. This partly resulted from the continued reduction in dairy herds. But it also represented, along with the high level of heifer slaughter, a downward adjustment in the size of beef breeding herds. This indicates that cow-calf operators, until only recently, have not been especially optimistic about future prospects and have preferred to reduce their operations somewhat. The cow herd, both dairy and beef, next January 1 will likely be down around a million head from a year earlier while the total inventory is likely to be down $1\frac{1}{2}$ to 2 million.

The reductions in the cattle herd in 1965 and 1966 have been moderate compared with liquidations in other cattle cycles. This reduction, however, has not been affected by widespread drought, as usually has been the case in past cycles. And even though a liquidation has been taking place, cattle prices have strengthened.

Several developments during this year point to a changing outlook on cattle and calf prices by cattlemen. There is evidence they are beginning to take steps to build up cattle numbers. The first indication was the drop in cow slaughter just before midyear. Cow slaughter has been below year-earlier levels since June and in the last quarter this year likely will be off 15 percent or more from a year earlier. Calf slaughter has been down all year and will average about 12 percent below a year earlier. The third indication is more recent and somewhat more tentative. More heifers are still being placed on

feed than a year ago but the margin has narrowed sharply. On October 1, there were only 4 percent more heifers on feed than a year earlier. This compares with increases of 19 percent on April 1, and 15 percent on July 1. Consequently, it appears that stockmen are beginning to shift from a reduction in herds to an expansion--the start of a new cattle cycle.

If the price outlook of cattlemen is indeed brightening, the liquidation of cattle numbers may be slowed considerably in 1967, if not stopped. As a result, cattle and calf slaughter will be somewhat smaller next year, as well as for several years to come, and beef and veal production likely will decline significantly for the first time since 1958. Slaughter of all classes of cattle is expected to be below 1966, with sharp reductions in cow and calf slaughter. However, the decline in fed cattle slaughter is expected to be slight.

The expected reduction in beef supplies and continued brisk demand points to strong cattle prices, with all classes of cattle benefiting.

Fed cattle prices in 1967 will be higher and the price pattern will be much different than this year when prices were highest in the winter and early spring. In early 1967, fed cattle prices are likely to strengthen from current levels but average below year-earlier levels. In the second half, they are expected to increase further and to average above year-earlier levels.

Feeder cattle prices also likely will be higher in 1967 and remain responsive to changes in fed cattle prices. Although the feeder calf supply at the beginning of the year will be about the same as a year earlier, the supply of yearlings is likely to be down; reducing the overall supply. Higher fed cattle prices and strong demand for feeders as well as for heifers to add to breeding herds will raise feeder prices. Because of the favorable market for feeder stock next year, imports from Canada and Mexico can be expected to be large again.

HOGS

Hog slaughter this year is down around 1 percent from 1965. Slaughter was off sharply in the early part of the year, but in the second half probably will be around 8 percent above the same period last year.

Hog slaughter was down early in 1966 because of the 6 percent reduction in the June-November 1965 pig crop and the withholding of gilts in order to increase late spring and early summer farrowings this year. The December 1965-May 1966 pig crop was up 10 percent from a year earlier. Hog slaughter began to approach year-earlier levels toward midyear as spring pigs reached market weights.

Hog prices have been higher than in many years because of smaller pork supplies, continued strong consumer demand, and higher prices of other meats.

Prices of barrows and gilts at 8 markets will average around \$24.00 per 100 pounds this year, about \$2.50 above 1965. This would be the highest since 1948.

Hog slaughter will be larger and prices lower in 1967 as the expansion in production continues. Increases in production, however, are not expected to be as large as the 10 percent rise in the December 1965-May 1966 pig crop. This was followed by a pig crop in June-August this year 7 percent larger than last year, and September-November farrowings are expected to be up about 6 percent in 10 Corn Belt States. Producers in these 10 States planned, as of September 1, to have 6 percent more sows farrow in December 1966-February 1967 than a year earlier. Farrowings outside the Corn Belt probably will be up a little more, making the total expansion somewhat larger than the 10-State figures indicate.

The seasonal pattern of hog production and prices probably will follow more normal courses in 1967 than they have this year. Prices in 1967 can be expected to rise from early in the year to a high during the summer and then decline to a low next fall. This will be in marked contrast to 1966, when hog prices were highest in February.

Smaller beef supplies, especially after midyear, will help strengthen hog prices; however, continued larger broiler production will be a weakening factor. On balance, hog prices are expected to average moderately below 1966. However, even with some price decline, they are expected to continue favorable and lead to further expansion in production into 1968.

SHEEP AND LAMBS

Sheep and lamb slaughter is down about 2 percent from 1965, offsetting the decline in the lamb crop. Little change is expected, therefore, in the January 1 inventory of sheep and lambs on farms. Also, the inventory likely will hold fairly stable during the next few years. Restocking probably will be limited largely to the Western and Southwestern States, but likely will be offset by reductions in the Native States.

The number of lambs on feed next January 1 is expected to be somewhat below a year earlier. However, slaughter during the early part of the year may be above 1966 levels, since lambs were held on feed an unusually long time last winter. Later in the year, slaughter is likely to average slightly below year-earlier levels.

Lamb prices early next year likely will be moderately below January-March 1966. Prices next spring, however, are expected to be stronger and to average above 1966 levels through the rest of the year.

CONSUMPTION AND RETAIL PRICES

Consumption of red meat will total almost 169 pounds per person this year. This would be over a pound more than in 1965, but about 6 pounds below the record level of 174.5 pounds in 1964.

Beef consumption will average over 102 pounds per person this year, more than 3 pounds more than in 1965 and a record. This increase reflects record domestic production and larger imports than in 1965. Consumption of beef and veal combined will average a little over 107 pounds per person, up more than 2 pounds from 1965 and a new record.

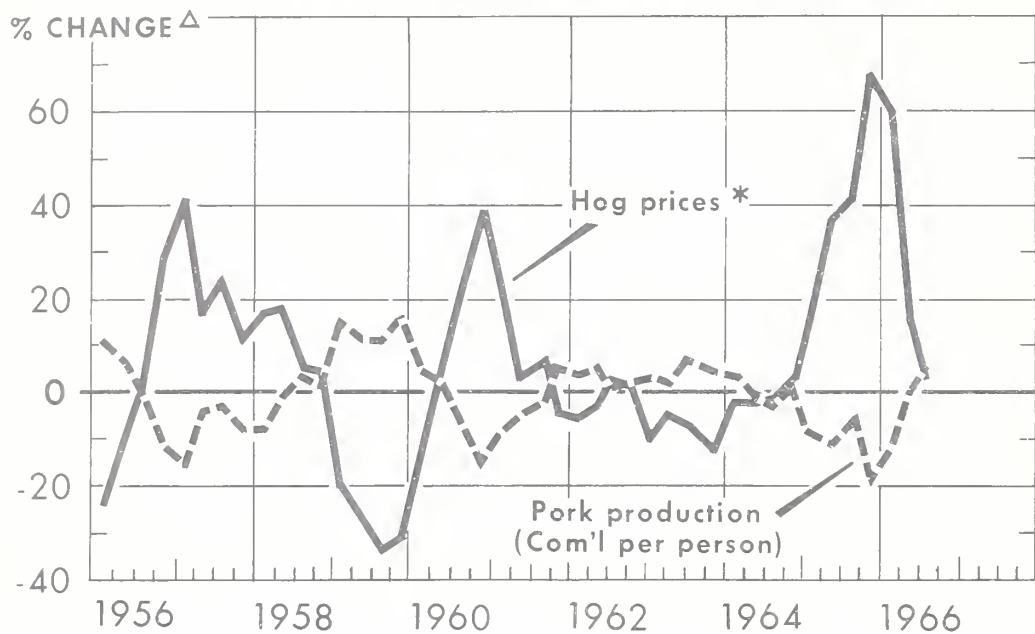
Pork consumption is expected to average around 57 pounds per person this year, down from 59 pounds in 1965 and 65 pounds in 1963 and 1964. Consumption of lamb and mutton will average around 4.1 pounds per person in 1966, almost a half pound more than in 1965. Domestic production was down slightly as a result of the smaller lamb crop, but larger imports more than filled the gap.

Retail meat prices will average almost 10 percent higher this year than in 1965. Pork prices have risen most, about 14 percent, while beef and veal prices have been up around 5 percent.

Red meat supplies in 1967 are expected to be down by as much as 3 percent from 1966. Declines in beef and veal supplies are likely to more than offset an expected increase in pork production and larger beef imports. However, supplies of broilers and turkeys will be larger and may largely offset the decline in red meat supplies.

With prospects for a further, but slower rise in demand, prospective supplies point to average retail meat prices somewhat higher in 1967. The increase likely will be moderate, however, compared to the rise of almost 10 percent in 1966. As in 1966, retail beef prices are expected to continue strong and increase through the year. Prices of processing beef probably will be up more than prices of higher grade beef. Pork prices, however, will be lower, largely offsetting the increase in beef prices

HOG PRICES AND PORK PRODUCTION



* BARROWS AND GILTS AT 8 MARKETS.

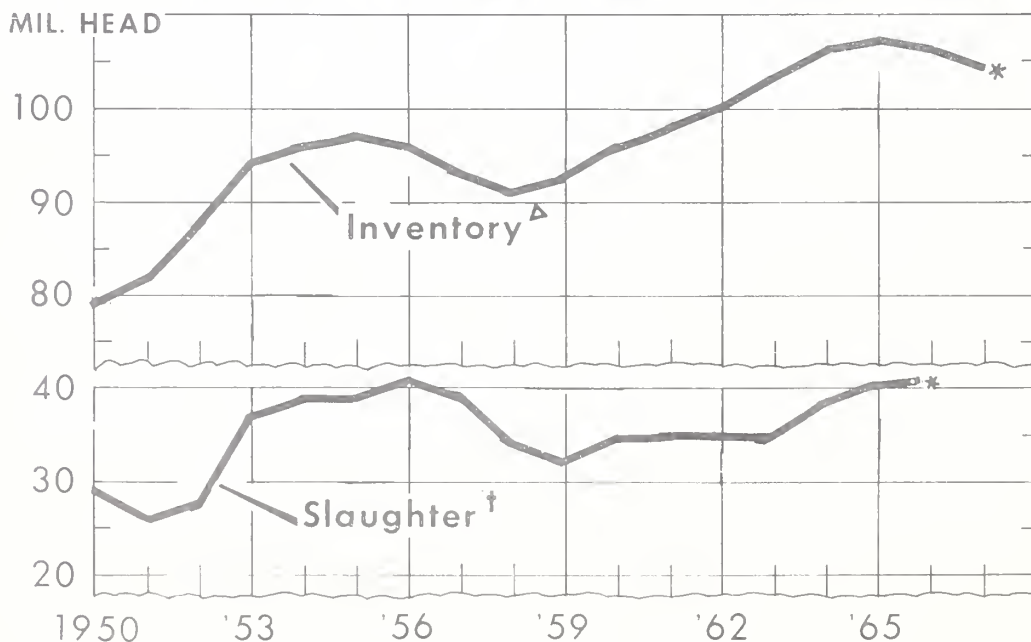
Δ PERCENTAGE CHANGE FROM PREVIOUS YEAR.

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ECONOMIC RESEARCH SERVICE

CATTLE INVENTORY AND SLAUGHTER



CATTLE AND CALVES ON FARMS.

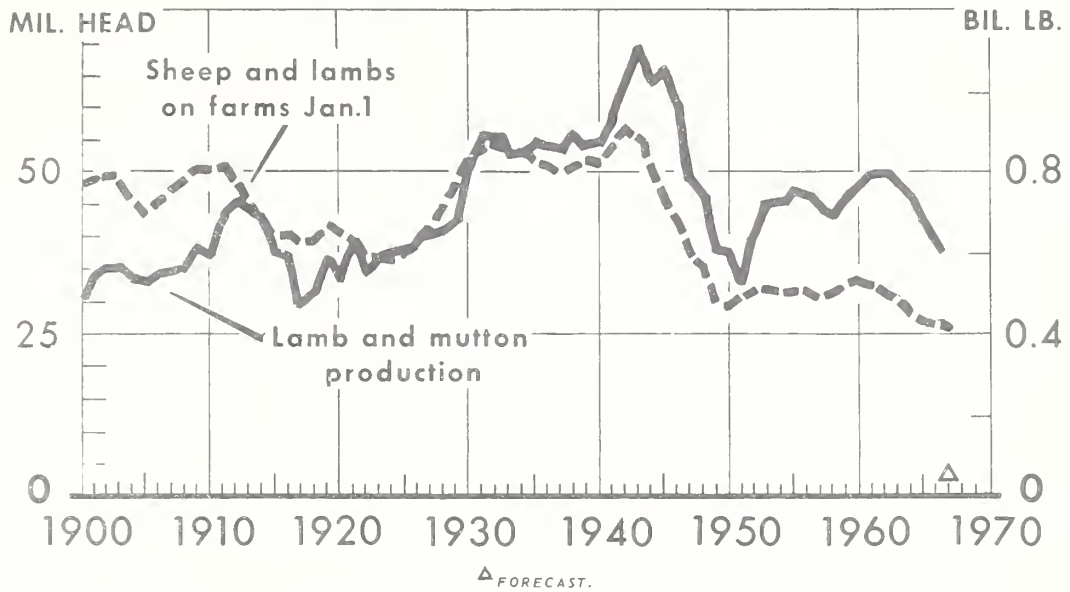
* FORECAST.

\dagger TOTAL CATTLE AND CALF SLAUGHTER.

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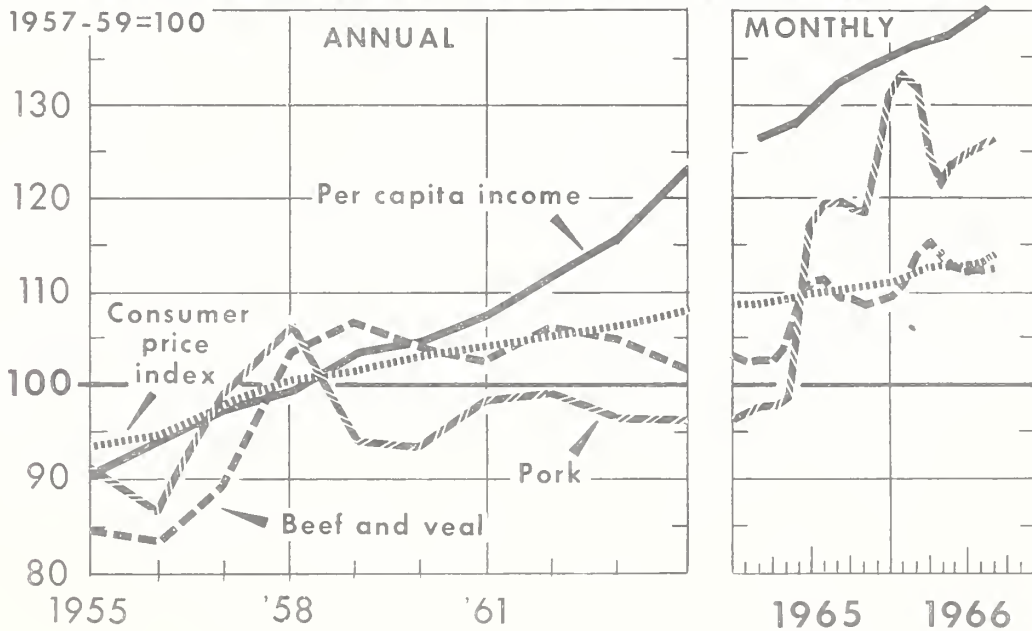
SHEEP NUMBERS AND LAMB AND MUTTON PRODUCTION



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NEG. ERS 443X-66 (11) ECONOMIC RESEARCH SERVICE

PER CAPITA DISPOSABLE INCOME, CONSUMER PRICE ALL ITEMS, RETAIL PRICE OF BEEF, VEAL AND PORK



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UNITED STATES DEPARTMENT OF AGRICULTURE

EMERGING FARM LABOR ISSUES

Talk by Varden Fuller

Professor of Agricultural Economics, University of California
Berkeley, Californiaat the 44th Annual National Agricultural Outlook Conference
Washington, D.C., 10:15 A.M., Tuesday, November 15, 1966

It is not so much that new issues on farm labor are emerging as that old and unresolved issues are now being seen in a changing light. Nor are the contemporary issues of farm manpower unrelated to the changes and issues affecting the whole of agriculture and other major primary production sectors of the national economy. The particular and underlying features affecting labor in farming as contrasted to labor in other primary sectors are: (a) that even as the magnitude of farm employment declines, public and private efforts to raise its relative level of welfare are sustained and even increased; and (b) that the traditional separateness of agriculture from the industrial system, which has long been diminishing, appears now to be in the final stages of disappearance. The combined effect of the two forces is to accelerate the integration of all farm workers into the national occupational structure and into national manpower policies and programs.

Perhaps the most widely noted contemporary issues relating to hired farm workers are the new minimum wage law and the prospect of unionization and collective bargaining. Additionally, for all of the farm work force--self employed as well as hired--there are the questions of education, training, and skills to meet the needs of industrial agriculture. Also, there are environmental questions having to do with the role of farm employment in rural economies that rapidly are becoming dominantly non-agricultural. These are the subjects on which this paper will center.

Unionization of Farm Workers

Farm workers have never had the protections to organization and to collective bargaining provided for in the national labor relations legislation. Moreover, because of their heterogeneous composition, their widely scattered and dominantly temporary employment, and their mobility, unionization has been difficult. Nevertheless, over the years, many attempts have been made. Fragments of organization have come to exist, but not being able to establish and maintain collective bargaining, they have evaporated. The two outstanding exceptions are the Hawaiian pineapple and sugar industries and the market milk dairies near San Francisco and Los Angeles.

In the past two years, and centering in the San Joaquin Valley grape area of California, renewed efforts are being made to unionize seasonal farm workers. There have been some unusual occurrences: two employers accepted the union as bargaining agent and entered into collective bargaining, another agreed to a voluntary election from which a union won bargaining recognition; further agreed-upon elections are pending. These facts may imply that a new era has come--that collective bargaining in agriculture has gained a foothold and will spread. There are possibilities and also constraints; each justify examination. First, we may consider the forces that appear to favor the growth of unionization and collective bargaining:

(1) Vertical integration of agricultural industry. It is significant to note that in all instances of established collective bargaining and recent approaches thereto, farm production has been allied by contract or ownership to processing, handling, or manufacturing. Also, in these instances, collective bargaining has already been established in the processing segment. In integrated arrangements, there are several kinds of opportunity for the established unions on the processing side to influence management's attitude with respect to field workers. Consequently, it seems reasonable to speculate that large-scale operations integrated by ownership or contract will be a likely path for the expansion of unionization.

(2) More active public interest. More direct and vigorous roles are to be taken by churches, other unions, groups and organizations based on civil rights, minority groups and related causes. Urban newspapers are tending to be more sympathetic. Even though churchmen, local authorities and community leaders within the areas affected by organizing attempts have appealed for non-interference, outside concern and interest shows little evidence of diminishing. External interest and action may reasonably be expected to continue, and if so, they are likely to have significant influence upon the attitudes and actions of both workers and employers.

(3) Congress may amend the National Labor Relations Act. It is coming to be realized--by citizens generally and by some farm employers as well--that the benefits of the Act are not enjoyed alone by union organizers seeking to establish collective bargaining. In the absence of a procedure under law by means of which the legitimacy of demands for union recognition can be tested in an orderly manner, the only alternatives are pressure and force. As instruments of determination, these are volatile--they spread their impact widely upon other than the direct parties, and they can readily become disruptive and possibly violent. Consequently, there is substantial general interest in having available a lawful procedure to determine if a collective bargaining organization exists. Senate Bill 1866 introduced in April 1965 would amend the National Labor Relations Act to remove the present exclusion of farm workers. In hearings held by the Senate Subcommittee on Migratory Labor in latter 1965 and early 1966, the various farm organizations offering testimony were opposed, with very few exceptions. Nevertheless, the Subcommittee's conclusion was:

The benefits of the collective bargaining rights and procedures of the National Labor Relations Act should be extended to our citizens employed in agriculture. Consideration should be given to the possible desirability of new concepts which may be more suitable to a mobile, seasonal agricultural labor force than those afforded by the present Federal labor laws. For example, jurisdiction standards for the National Labor Relations Board could be revised to meet the special problems of agriculture. Furthermore, a thorough review of this subject may demonstrate the need for an accelerated election procedure as well as an administrative board which deals exclusively with collective bargaining rights in agriculture. 1/

Senator Murphy of California in his individual statement as a member of the Subcommittee seems not seriously to disagree with the majority conclusion, for after discussing some of the technical differences between farm and factory employment, he concludes:

These questions are not insoluble. I have no doubt that the Congress, once alerted to the complexities of the situation, could provide workable guidelines for collective bargaining by farmworkers while at the same time preserving freedom of choice and equality of bargaining power. But the situation calls for careful analysis and good judgment, and not a headlong rush to apply to agriculture a legislative scheme which needs special tailoring to avoid a misfit which would be more of a hindrance than a help. 2/

Even if the legislative outcome is affirmative, it is not likely to be rapid. Neither the prospect of labor relations legislation nor the forces and influences mentioned above are likely to generate a momentum parallel with those in steel, automobiles, or coal mining during the 1930's. On the contrary, it seems reasonable to believe that the constraints will be substantial and that no great wave of farm labor unionization is in prospect. Some of the more apparent constraints are:

1/ U.S. Senate. 89th Cong., 2d Sess. Committee on Labor and Public Welfare. Subcommittee on Migratory Labor. The Migratory Farm Labor Problem in the United States. Report No. 1549. Washington, August 30, 1966, p. 35.

2/ Ibid., p. 163.

(1) Farm employment will continue to be predominantly in small-scale, broadly scattered units. Although average size of farm has rapidly and consistently risen, employment per unit is not following the same trend--due mainly to the advance of technology. Employment in large numbers per farm unit seldom occurs except in temporary harvest periods. Farms having three or more year-round hired men--usually dairies, stock ranges, or poultry farms--are few and exceptional. Small units and distance as well as close relations with a working employer are obstructive to union organization.

(2) Seasonal workers are not generally responsive to unionization appeals. Many expect not to be permanently in farm work and do not regard an improved future in farm labor as a goal worth striving for. Those who are resolved to a future in farm labor--by which one inevitably means the older, less educated, and otherwise handicapped persons--are typically neither well prepared nor strongly motivated toward purposeful collective action.

(3) High cost of organization without NLRA or similar coverage. If farm labor continues to be excluded from statutory coverage, efforts to obtain recognition as bargaining agent and to obtain agreements will have to depend upon force and pressure, which are expensive and uncertain. Therefore efforts to organize will likely be restricted to selected situations in which the prospects of success appear most favorable.

(4) Administrative and legal frictions under NLRA coverage. Even if statutory labor relations coverage were soon to be available there will be frictions to its rapid and widespread use. If the coverage were to be under the present legislation, considerable adaptations will be required to accommodate to the particular features of farm employment, including such matters as the appropriate bargaining unit and the eligibility of voters. Court action is likely to be involved, as well as evolution of administrative procedures. On the other hand, if the coverage were to be in different legislation specialized to agricultural employment, along the lines implied by the report of the Senate Subcommittee, the pace of utilization is not likely to be any more rapid, for the backlog of administrative experience and court decisions under the NLRA will probably not be directly relevant. Time will be required to develop procedures and practices in accord with the authority of such a statute. Consequently, either way it goes, taxing demands upon the time and resources of the principal parties as well as upon the administrative agency seem to be unavoidable--assuming, of course, that farm employers continue to oppose collective bargaining.

In summary, then, the assessment that seems reasonable to me is to expect a new and more broadly supported stride in the development of farm worker unions and collective bargaining, but under very substantial constraints. Initially, and perhaps for many years, the pattern will be quite

spotty. Even so, the total impact of limited unionization may very well be greater indirectly than directly. Farm organizations are already increasing their appeals to members to upgrade employment practices and conditions as a deterrent to union organization.

The Minimum Wage in Agriculture

The Fair Labor Standards Amendments of 1966 approved in September will for the first time apply a national minimum wage to agriculture. Effective February 1, 1967, the minimum wage rate will be \$1.00 per hour; it thereafter rises to \$1.15 a year later and to \$1.30 on February 1, 1969. Only large employment units are covered and some categories of workers are excluded.

According to the U.S. Department of Labor, 485,000 workers will be subject to the Act. However, the larger farms on which eligibility occurs tend to be in the areas where already the going wage is equal to or above the statutory minimum. As the law will have no initial direct impact on the major portion of those covered, and none at all on those who are exempt, it follows that the direct effective coverage at the beginning will be quite small. Subsequently, as the minimum rises to \$1.15 and then to \$1.30 the direct impact will increase.

The principal exemption from coverage under the new law is all farm employees on farms which, in any calendar quarter of the preceding calendar year, did not use more than 500 man-days of agricultural labor. As the consolidation of farms continues, there will probably be an increase in the proportion of farms under coverage. This, in combination with the increasing minimum wage level, will mean a broadening impact, at least in proportional terms. However, the day when the majority of hired farm workers will be directly and effectively covered by the present minimum wage legislation is distantly obscure.

Nevertheless, one may reasonably expect considerable additional impact indirectly through voluntary responses of employers--to eliminate inequities and inequalities among individual farms and among labor market areas. The present law should reduce regional wage differences as between north and south and between east and west but it is not likely to eliminate them. It can be expected to accelerate mechanization and other forms of capital/labor substitution more in the low-wage regions than in the higher ones.

Farm Labor and Manpower Programs

In the growing national consciousness that manpower is a resource to be developed and utilized effectively, farm people are at least marginally included. As regards eligibility for occupational development and training, both self-employed and hired farm workers are treated comparatively well under the statute. But the programs are the outreach type--they depend

upon local initiative and concurrence. This means that federal and state officials have restricted roles unless local leadership actively favors an appropriate program. Given the fact that farm workers characteristically lack cohesion, congregation, and articulation--as contrasted with the inverse of these attributes in the metropolitan trouble spots--it is not surprising that projects under the Manpower Development and Training Act for farm people have remained extremely scant in ratio to eligibility. In the context of a general rural manpower service, such as I will discuss a bit later, it might be possible for rural community leaders and agricultural extension personnel to take a more active interest in rural manpower development.

Old Problems in New Contexts: Migrancy and Seasonality

Whatever else may happen--higher wages, or unions and collective contracts, or even unemployment insurance--there still will remain the unwieldy problem that agriculture has to depend upon workers for whom it does not offer more than temporary employment. Mechanization has dramatically reduced seasonal labor requirements in many important crops and undoubtedly will continue to do so. Yet, sharp peaks have been left, and moreover, the composition of the seasonal labor requirement is different in that now more highly skilled people are required to operate and attend the new equipment. The day when crops that are biologically seasonal can and will be handled by regularly employed, year-round personnel may come but is not now foreseeable. In the meanwhile, it appears that past solutions to temporary labor needs may become increasingly less satisfactory.

One of the main reliances of recent years--upon temporarily admitted alien contract labor--is now by Congressional and administrative action substantially terminated. Within our borders we also have relied mainly upon migratory patterns and interarea recruitment. Both of these are diminishing and becoming less effective, for important reasons. Migratory labor families have long demonstrated that, given reasonable opportunity to do so, they withdraw from migratory movement and settle down. In the past, the principal governing force has been the level of unemployment. Now, in an era of concern about poverty and underprivilege, and with anti-poverty programs being community centered, a new set of forces have come into effect against migrancy. In my view, simultaneous government sponsorship of community action programs and of interarea seasonal labor recruitment programs is to be in contradiction. Furthermore, the expectation of our manpower training, job development, and fair employment programs is to eliminate the level of underprivilege which has in the past generated availability for seasonal farm employment. Considering this outlook, farm employers and others concerned will be well advised to seek new arrangements for meeting seasonal labor needs.

Over the years it has been recommended, often with exhortation, that farmers should diversify their enterprises in such a manner as to provide continuous employment for themselves and hired personnel, thereby avoiding peak periods in the need for additional hands. But the trend has been toward more, not less, specialization. Unless it were somehow to be absolutely impossible to obtain seasonal workers, the realistic expectation is that specialized farms will continue and that there will be a substantial seasonal labor requirement. Moreover, given the regional and area diversity in our climates, soils, water supplies, and market proximities, there are advantages in specialization that, in the general interest, ought not to be obstructed.

Under this analysis, major reliance for a seasonal work force will need to shift ever more toward the residents of the immediate labor market area; and recruitment--both public and private--will have to depend less on need and disadvantage as the wellsprings of a labor supply. Assuming that these generalizations are valid as to direction even though not specific as to timing or magnitude, their implications suggest the development of two sources of seasonal labor: (1) persons who do not have the full obligation of supporting a family and who are not seeking full-year employment--which is a roundabout way of referring to students, housewives, and retired but able bodied persons; (2) persons regularly in the labor force and seeking full-year employment who are able to combine other part-year employment with farm work in a seasonally complementary way.

The critical condition to effective recruitment and utilization of youths, housewives, and retirees is a multi-faceted complex of factors including work environment, field sanitation, transportation, training, supervision, child-care arrangements, and the like. Wage rates, as such, may be secondary, but earning possibilities are not. These approaches have not suffered lack of advocacy; but on-the-farm response has not been overwhelming. The missing link has apparently been the lack of conviction by farm employers that action along these lines would be anything more than response to the exhortations of "do-gooders"; they have not seen either the necessity or their own self-interest. Impending necessity may yet prove to be a far more effective persuader than social moralizing.

Already a large proportion of farm workers make a substantial portion of their annual incomes from nonfarm work. They do this mainly on their own abilities and not by reason of help from farm employers or the government farm placement service. On the contrary, the effect of combined private and public action is not favorable to occupational versatility. As I believe there is a significant potential for the development of occupational diversity in rural economies and thereby also relieving the seasonality problem for agriculture, it is a matter to which I wish to give particular attention.

Some Advantages of Diversification in Rural Economies

This discussion may as well commence with a specific proposal: I would discontinue the Farm Placement Service and replace it with a Rural Industries Manpower Service.

For almost a quarter century, farm placement has been operationally separate from all of the remainder of the federal-state placement system. Farm placement personnel have had the responsibilities for recruitment of farm labor as well as placement of those seeking farm work on their own initiative. In recruitment, and aside from the specific responsibilities that were involved in foreign labor, the major emphasis has been on interarea movements. Local office personnel have characteristically not been expected or even permitted to help workers arrange combinations of seasonal farm and other jobs within the area of their domicile that would give them an approximation to full employment. Individual farm placement officers have occasionally been interested in trying to integrate various farm and nonfarm jobs within areas of feasible daily commuting but the restricted obligations of their program have constrained rather than encouraged this.

In my view, there are two principal reasons for optimism as regards the development of what might be termed a pluralistic rural economy and a matching multiple occupation labor force. First is the upgrading of farm jobs and farm workers in accordance with the prospects discussed previously. All of these help to remove interjob barriers and to contribute to an environment in which workers will be willing and able to move rather freely between farm and nonfarm work. Second is a set of economic and demographic facts concerning trends in rural areas about which we are aware but not very conscious. Although our rural areas are ceasing to be dominantly agricultural in terms both of economic activity and population, we have yet to evolve policies that give any direction to that change. It is virtually a subconscious reflex to assume that if either self-employed farmers or hired farm workers are redundant to an area, seasonally or permanently, the proper solution is that they go somewhere else. And "somewhere else," as we now to our sorrow are discovering, has all too often been a jobless, congested city slum.

Long before now, a nation that has done so much to advance farm technology might have concerned itself more seriously about its obligations to the people who were made redundant by that technology. Not having done so, and even though we now are in the advanced stages of an historic farm exodus, it is not too late to apply some energies and resources on trying to develop viable, diversified rural economies. To the extent that this succeeds there will be many benefits, most of which do not need recounting. But the one to be emphasized at this moment is the building up of a stable labor force and an orderly set of employment relations that would help to assure getting seasonal farm work done.

If there could be a Rural Industries Manpower Service instead of the Farm Placement Service, this would seem to be a good starting point. Such a service should have a comprehensive set of duties of its own and additionally it could be a focal point for contact and communication. Beyond the traditional jobs of placement and recruitment, one of its main obligations would be to help workers arrange and schedule an annual work program composed of farm and nonfarm jobs. In doing this, some training needs are likely to be encountered, which would lead to another important function of the proposed service--to help in the development of significant and appropriate training programs, when and as needed. Given this combination of activities, the manpower service personnel should be prepared to take the initiative on job development, i.e. to inform potential employers of qualifications and available times and to solicit placement orders. Given a rural labor market of diversified skills and an effective manpower service, efforts to encourage the decentralization of industry should become more rewarding. Also, the new "growth" industries--particularly recreation but not excluding health and education--might find rural locations to be practical in such a manpower environment.

Conclusion

Change will continue, whether welcome or not, and with it new issues will emerge even before old ones are resolved. In a dynamic society, every sector and segment repeatedly finds itself confronting mandates to adjust. Scientific advance, after becoming incorporated into agricultural technology, invokes an all-powerful mandate upon farmers and farm workers to adjust. But that mandate falls upon government, too, for individuals as such cannot order or command the environment in which satisfactory individual adjustments are made. Issues come with necessities and both come with alternatives. Neither public nor private life consists entirely of accommodating to the inevitable. Consequently, even as powerful forces, to which this Nation committed itself more than a century ago, now are finishing their job of blending agriculture into the industrial system, some choices still remain open. As regards farm labor, we can strive to retain isolation and differentiation, in my opinion, without the prospect of success, or we can accommodate to integration, trying in the process to obtain the benefits of adaptation and thereby avoid the high costs of ultimate compulsion.

UNITED STATES DEPARTMENT OF AGRICULTURE

PROGRAMS FOR FARM LABOR

Talk by David S. North
 Assistant to the Secretary for Farm Labor
 U.S. Department of Labor
 at the 44th Annual National Agricultural Outlook Conference
 Washington, D. C., 10:45 A.M., Tuesday, November 15, 1966

My topic for this morning--Programs for Farm Labor--indicates the changes which have come about in the status of the farm worker. It is not so long ago that I would have addressed myself primarily to the economic and social plight of these workers; to an enumeration of the kinds of social legislation available to other workers which were denied to farm workers; and to telling you about what had to be done to remedy this situation.

Well, the climate has changed a bit. Farm workers still have a great many problems -- low wages, irregularity of employment and underemployment, inadequate education and training, and poor housing, just to mention the major ones -- but something -- but not very much -- is being done about these problems, sometimes by the Federal Government, sometimes by State and local governments, sometimes by many jurisdictions acting in concert. It is to what is now being done that I want to turn this discussion. But, I will also talk about the problems that have not yet been tackled. For, the farm worker is still "excluded" from many of the benefits which other Americans have come to accept as their right.

I. Recent Federal Actions

Both the legislative and executive branches of the Federal Government have taken more constructive actions to improve the lot of farm workers in the last three years than were proposed or undertaken in the previous three decades.

During this period, acting on the recommendation of the President, the Government set in motion a broad attack on the problems of migrant workers and their families through the Poverty Program, created a new housing program for farm workers, and expanded existing health and training programs for farm workers.

During this period, the Congress terminated Public Law 78, and the Department of Labor sharply reduced the employment of foreign workers in American agriculture.

During this period, the Congress extended minimum wage coverage to farm workers for the first time.

The end of the bracero program on December 31, 1964 was perhaps the most significant single event during these three years.

In previous years as many as 400,000 Mexican Nationals, generally working for low wages by United States standards, came to this country to plant, cultivate and harvest a wide variety of crops. It was often charged that the braceros depressed wages and took jobs from American workers. The growing controversy about the bracero program, which started originally as a Korean War emergency measure, caused Congress to bring it to an end.

Although Congress did not extend Public Law 78, which had authorized the bracero program, the Immigration and Nationality Act (Public Law 414) remains on the books. This statute permits foreign workers to enter this country for temporary employment when American workers are not available. On December 19, 1964, Secretary of Labor W. Willard Wirtz announced a strict set of regulations setting down the terms and conditions which would-be employers of foreign workers have to follow in order to qualify for the workers. The objective of the regulations was, and is, to make sure that before turning to foreign workers the growers, in fact, have made every reasonable effort to secure American workers.

The Secretary's regulations, and his enforcement of them, caused a substantial reduction in bracero utilization in the United States. Although braceros had worked in 17 States in 1964, they only worked in California in 1965 and 1966. Although there were, at one time or another during the year 1964 178,000 braceros in the country, there were only 20,300 in 1965, with a further drop to 8,700 this year.

Stated another way, braceros did 508,000 man-months of labor during 1964, 27,000 in 1965, and are expected to do 14,000 man-months in 1966.

Many of you are familiar with last year's controversy over the effects of the changeover from foreign to domestic labor on the quantity of fruits and vegetables finally harvested. Without attempting to rehash that controversy here, I should like to note one significant point; namely, that taking together all of the crops in which foreign labor was used in 1964, the value of the losses which might have resulted from labor shortages is estimated at less than one-half of one percent of the total value in 1965 of these crops. This I submit, is not too onerous a price to pay for the correction of a bad situation, assuming that this was the price actually paid.

Minimum Wage--Farm workers have always been left out of minimum wage legislation--until this year, when an estimated 400,000 workers were covered by the amendments to the Fair Labor Standards Act which the President signed into law on September 23.

The law goes into effect on February 1, 1967, with the farm workers' minimum set at \$1.00 an hour. This rate will increase to \$1.15 on February 1, 1968 and to \$1.30 on February 1, 1969.

The legislation will apply only to the largest farms (those with 500 man-days of employment during a three-month period of the preceding year, which works out to an average of seven workers per covered farm).

Workers who meet all of the following criteria will be excluded: those who do hand harvest labor, who have not been in farm work for more than 13 weeks in the previous year, who commute daily to their jobs, and who are working in a crop which has historically been harvested on a piece rate basis. Also excluded are livestock and range workers, and minors under 16 who work on the same farm as their parents in a hand harvest activity which is paid for at piece rate.

The legislation will have its largest impact on workers paid on an hourly basis, particularly those in the South and the Southwest.

The amendments are also noteworthy for the fact that, for the first time, minors under 16 will be prohibited from working in agricultural occupations found to be hazardous by the Secretary of Labor.

Poverty Programs -- Another historic step was taken when the Government launched the poverty program in 1965. Title III B of the Economic Opportunity Act deals exclusively with the problems of seasonal farm workers, and authorizes programs to provide a wide variety of education, sanitation, child care and housing services. In most instances, these programs filled vacuums, providing services to perhaps the most neglected group in the nation.

Extensive programs also have been funded by the Office of Economic Opportunity to aid migrant farm workers in their home base areas in such States as Texas and Florida as well as in the many areas in which the migrants work. Other projects have been undertaken to serve nonmigratory seasonal farm workers. By the end of last year, about 150,000 seasonal farm workers and their dependents have been aided by programs in 27 States.

Among the specific services offered, through community operated programs, are these:

- a. Education - remedial education, and preschool as well as elementary school work for children. English language instructions for the Spanish-speaking and on-the-job training for migrant youth. And adult education, citizen training, and vocational education for farmworkers in their home-base areas.

- b. Day-care - In 1965 between 20,000 and 25,000 preschool and school age children throughout the nation were given supervised care, nourishing food and medical examinations and immunizations.
- c. Housing and sanitation - funds and professional technical assistance have been provided for the construction of self-help housing. Grants have also been made to construct rest stops for migrants, and temporary housing for migrants.

In addition, the Office of Economic Opportunity has financed California Rural Legal Assistance, a newly-formed organization dedicated to supplying legal assistance to farm workers.

Health, Housing, Training-- The Migrant Health Act of 1962 created a \$3,000,000 a year program to provide selected health services to migrant farm workers and their families. In 1965, at the request of the President, the scope of the program more than doubled, and during the 1967 fiscal year will operate at the \$8,000,000 level. For the first time, hospital care for ailing migrants will be financed through this program.

The Public Health Service, which administers this program, operates through local community agencies such as the Maricopa County migrant family health clinic in Arizona, and the Laredo-Webb County Health Department in Texas. Over 60 percent of the costs of the program are federally financed.

Projects in 33 States and Puerto Rico were operated through December 31, 1965. Among the specific services offered by these projects were: medical treatment for injury or illness; immunizations; finding and treatment of communicable diseases; pre- and post-natal care, family health service clinics; and nurses to visit families in migrant labor camps.

The Housing Act of 1964, passed on the President's recommendation, contained the first specific reference to farm labor housing in federal legislation. The Farmers Home Administration of the Department of Agriculture was assigned the responsibility to make grants for farm labor housing and \$3,000,000 was set aside in the 1965-1966 fiscal year to help communities construct sanitary and attractive dwelling places for farm workers. In each instance the federal grant of up to two-thirds of the cost must be matched by a community contribution to the project.

Several communities in California moved quickly to take advantage of this program (even though the funds actually appropriated were well below the level that Congress had previously authorized for this purpose). New Housing is either being constructed, or will be soon by these agencies:

Riverside County Housing Authority - 183 two-bedroom houses that will rent for \$50 a month.

Soledad Housing Authority - 80 two-bedroom apartments that will rent for \$60 a month.

Tulare County Housing Authority - 200 units that will rent for \$60 a month.

Farm workers have been trained, in both agricultural and nonagricultural skills, through a variety of Department of Labor programs. In some instances workers who had been unable to secure continuous work were trained in trades, such as tractor driving or nursery work which has provided them with skills which have opened up new job opportunities and substantially extended their employment. In other instances, farm workers have been trained in nonfarm occupations.

For some of the farm workers, their training programs have involved courses in basic adult education and literacy prior to the vocational instruction. In most instances the trainees receive a stipend while they are learning.

One of the most interesting on-going projects has been worked out between the Department of Labor and the Arizona Council of Churches. This program will involve the relocation of about 100 unemployed migrant workers and their families to year-around employment sites. The migrants will receive education, orientation, counseling and prevocational training prior to being located in either Phoenix or Tucson or in permanent farm jobs.

The project is designed to evaluate the feasibility of larger scale efforts to bring more rational employment and settlement patterns to the migrant worker.

II. Recent State Actions

In recent years some state governments have taken legislative and administrative action in regard to the wages, and working and living conditions of farm workers.

In California, for instance, off-the-job disability insurance, a relatively rare social insurance program, was extended to many farm workers in 1961. This furnishes the worker up to \$80 a week during periods when he cannot work because of a nonjob connected injury or illness. The worker, in turn, pays the State one percent of his earnings.

California, alone in the nation, has set standards for field sanitation, requiring that larger growers supply field toilets and adequate supplies of cool, clear drinking water.

Recently Michigan has passed legislation which offers limited minimum wage and workmen's compensation benefits for some farm workers. Michigan also passed a farm labor housing inspection law.

Earlier this year, New Jersey established a State minimum wage for agriculture of \$1.25, which goes into effect on December 15, 1966.

After April 1, 1967, workmen's compensation insurance will be compulsory for employers of farm labor in New York State.

III. Farm Wages

Despite the actions of the Federal Government, and some States, farm wages are still well below nonfarm levels. In 1965, for instance, the average factory worker in the nation made \$2.61 an hour, while the average hourly rate for farm workers was \$1.14.

Farm wage rates have been rising at a faster rate in recent years than they did in the past. Between October 1, 1964 and October 1, 1966, for example, the average hourly farm wage rate rose by 18 percent nationally. Wage rates, of course, vary widely from State to State and many States show relative stability from year to year (although all have risen somewhat). Moreover, because farm workers, generally, are unable to work as many days as workers in other industries, the hourly rates show only part of the picture. Data published by the Department of Agriculture indicate that the average worker who was employed for 25 days or more on farms in 1965 had 165 days of total employment during the year, and earned \$1,316 in all. Limiting our attention to farm work, we find that this worker had 137 days of farm employment and that he earned \$1,045 for this work. These earnings are substantially below the generally accepted poverty level of \$3,000 a year. Thus, while some progress has been made, there is still room for substantial improvement.

IV. Continuing Problem Areas

As I indicated at the beginning of my talk, while much has been and is being done to remedy the farm workers' problems, in some respects he is still the "forgotten American." The Senate Subcommittee on Migratory Labor, in a report issued earlier this year, indicated a number of areas in which further legislation is needed. It is, I feel, fitting that a listing of the Subcommittee's recommendations should close my remarks. For, while these recommendations point the way towards what still needs to be done to help the farm worker, they also indicate what means are at hand already to help him. The Subcommittee advocates:

More child labor protection than now provided by law.

That the protections of the National Labor Relations Act be extended to farm workers and employers.

The strengthening on the Government's placement services in agriculture by the passage of the Voluntary Farm Employment Service Act.

The creation of a National Advisory Council on Migratory Labor.

A rapid Tax write-off of farm labor housing to assist growers constructing such housing.

Extension of unemployment insurance to farm workers.

Extension of workmen's compensation protection to all farm workers.

Extension of public welfare assistance to migratory farm families without regard to residence requirements.

The Subcommittee also called for more support for existing OEO, medical, housing and War on Poverty programs designed to assist farm workers.

U. S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

FAMILY PLANNING - OUR POLICIES AND PROGRAMS

Talk by Robert B. Dorsen, M.D.

Medical Director, Public Health Service, Office of the
Deputy Assistant Secretary for Science and Population
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 3:00 P.M., Tuesday, November 15, 1966

On January 4, 1965, in his State of the Union Address before Congress, President Johnson said, "I will seek new ways to use our knowledge to help deal with the explosion in world population and the growing scarcity in world resources."

On February 2, in his message on International Education and Health, President Johnson continued to emphasize his concern in this area as he sketched the background that calls for high priority programs for family planning and meeting population problems: "By 1970 there will be 300,000,000 more people on this earth. A reliable estimate shows that at present rates of growth the world population could double by the end of the century. The growing gap between food to eat and mouths to feed poses one of mankind's greatest challenges. It threatens the dignity of the individual and the sanctity of the family."

Again, in his special message to congress on Health and Education on March 1, 1966 President Johnson said, "We have a growing concern to foster the integrity of the family and the opportunity for each child. It is essential that all families have access to information and services that will allow freedom to choose the number and spacing of the children within the dictates of individual conscience."

These three statements by President Johnson epitomize the broad scope of his concern--reaching on the one hand towards problems involving rapidly growing populations and on the other hand focusing on the individual dignity and integrity of the family. This in truth represents one of the most profound challenges facing us in the remaining years of this century.

We are in the seventh decade of a hundred-year span that began in 1900 with a world population of fewer than 1.5 billion persons. The world population is presently approaching 3.5 billion and is expected to reach 6 to 7 billion in 34 years. Although the birthrate in the United States has shown some signs of leveling, the Bureau of the Census estimate projects a United States population in the year 2010 of more than double the 195,000,000 people we had in 1965.

Here we are presented with both a challenge and a paradox. On the one hand we find a rapidly expanding population, congestion of our cities, diminution of

natural resources. On the other hand we find a shortage of people, not in numbers surely, but in quality. Here is one of the challenges facing us. We will be measured by our ability to offer every individual the opportunity to achieve his full potential.

A lengthy catalog of the needs of our growing population is redundant. My personal focus, being an obstetrician, is towards the health fields. To me as a physician, the demand for hospitals and other health facilities, the shortages of medical and other health manpower are more alarming than many of our other deficiencies. In addition to these obvious needs, resulting in part at least from the increased number of people to be served, the nature of our health problems has changed. The effects of urbanization on health have focused our attention on the problems related to air pollution, water pollution, and the many mental and social sequelae arising from the growth and congestion of our cities.

My thinking as well as my concern still relates to the individual. In the midst of our increasing numbers we have become acutely aware of the problems, the stresses, and even the need for identity of the individuals making up our society. The thrust of our efforts is directed to the unmet needs, not only in health but in education and social welfare, so that the fruits of our technology can be realized.

Family planning as a concern of the Federal Government has a remarkably short history. In fear of religious and political opposition this subject was long hidden behind what Dr. Philip Lee, the Assistant Secretary for Health and Scientific Affairs, calls a "barrier of silence." Today, however, the political and social climate has changed rapidly in response to a flood of public demand for more forthright governmental action. Indeed, if our mail is any indication, it is about 9 to 1 criticizing if we don't rather than if we do. Today we recognize the responsibility of tax-supported health organizations to make the necessary health services available that will help women regulate the frequency and number of children they bear, if they want such help and if they do not have access to private resources. A rapidly increasing number of States offer family planning services to the medically dependent at this time. Just 2 years ago the number of states participating in these programs numbered only 13. The latest count is over 40. We now recognize that family planning can no longer remain the quiet privilege of those who can afford it.

We have indeed crossed an important threshold. President Johnson's statements gave voice in an area of concern which was found at several levels of government in this country and reflected a worldwide concern. In the Senate under the leadership of Senator Ernest Gruening of Alaska, Senator Millard Tydings of Maryland, and others, an impressive body of testimony from many expert witnesses has been accumulated.

In responding to requests from States and local communities, the Department of Health, Education and Welfare has been accelerating its activities in family planning. These activities are carried out through the Children's

Bureau and the Bureau of Family Services in the Welfare Administration, the Public Health Service, the Office of Education, and the Food and Drug Administration.

In January 1965, the Secretary established for the first time a departmental policy on family planning. In a memorandum to the heads of operating agencies of DHEW, he defined our policy on population dynamics, fertility, sterility, and family planning in these words:

"The policy of this department is to conduct and support programs of basic and applied research on the above topics; to conduct and support training programs; to collect and make available such data as may be necessary; to support, on request, health programs making family planning information and services available; and to provide family planning information and services on request to individuals who receive health services from operating agencies of the department.

"The objectives of the departmental policy are to improve the health of the people, to strengthen the integrity of the family, and to provide families the freedom of choice to determine the spacing of their children and the size of their families.

"Programs conducted or supported by the department shall guarantee freedom from coercion or pressure of mind or conscience. There shall be freedom of choice of method so that individuals can choose in accordance with the dictates of their consciences."

The implications of this policy statement are clear. It emphasizes the shift in sentiment and focus that has taken place. It has initiated an increased effort by the department in this field. The federal programs involving family planning span a wide range of support. However, it is a community decision as well as a community responsibility to determine the methods by which they are brought to the people they are intended to serve. These programs have a singular objective. It is to enable individual families to have the number of children they want at the time they want them and thus raise the expectations for health, education, and welfare of their children. Our programs are firmly based on the principle that family planning is a matter of individual, personal decision. These programs are based upon a tripod of activities encompassing services, education, and research.

The major departmental support for family planning services is through the Children's Bureau of the Welfare Administration. Through formula grants to State health departments and project grants to State and local health departments, the Children's Bureau supports family planning activities as part of its maternal and child health programs. Approximately \$5,000,000 of maternal and child health funds are being used this year specifically for family planning services. This figure does not include the cost of the medical examinations which accompany the provision of these services. At this time, approximately 51 Maternal and Infant Care projects have been approved. Nearly all of these include family planning services.

Through the Bureau of Family Services of the Welfare Administration the department supports state medical care programs under public assistance provisions of the Social Security Act. Federal matching funds are available in state assistance programs to hire personnel and to provide services, drugs, supplies, and transportation in support of family planning programs. Further impetus to the development of these programs in states where there have been limited programs in the past is provided by Title 19 of the Social Security Act. Title 19 provides federal funds to states for medical services to individuals and families whose income and resources are insufficient to meet the costs of necessary medical expenses. Under this title funds can be used to develop family planning services as part of the State's effort to provide comprehensive health services. Since the new law was passed approximately 32 States have either enacted new medical assistance programs or expect to have programs in operation by the end of this year.

The Public Health Service is the primary health resource of the Federal Government. It is specifically charged with the responsibility for protecting and improving the health of the people of the nation. The PHS conducts and supports research and training in the medical and related sciences; it provides medical and hospital services to its authorized beneficiaries; and it assists State and local governments in the application of new knowledge and the support of programs for the prevention and control of disease. The Bureau of State Services of the PHS makes general health grants to States to support State and local health programs. These programs may include family planning activities. With the passage of the Comprehensive Health Planning Act and the Public Health Services Amendments of 1966, the States are given much more flexibility to develop health programs designed to meet community needs. In addition to the support of health programs, the Bureau of State Services is authorized to support several types of training programs. These range from short-term traineeships--such as the one at the University of California at Berkeley where 50 traineeships were awarded in 1966 in health education, specifically oriented towards family planning programs-- to Graduate Public Health Training Programs at the Universities of Pittsburgh, Hawaii, and Puerto Rico, which are oriented towards demography and population studies.

The Bureau of Medical Services has been given the responsibility to provide health services to specific beneficiaries, among whom are American Indians, Alaskan Natives, and dependents of the uniformed services. The Division of Indian Health has issued a policy statement which defined family planning as one element of comprehensive health care. It is the Division's policy to insure the availability of family planning services to its beneficiaries upon request and to insure that any assistance "meets the individual's needs, desires, and religious beliefs." All of the Division's 47 hospitals and 52 health centers offer family planning services to their beneficiaries. Approximately 18,000 patients are expected to request and receive family planning services at the health facilities of the Division of Hospitals. The Division of Hospitals offers PHS beneficiaries family planning services "similar to those provided in the course of the normal doctor-patient relationship," at its 10 general hospitals, 3 special hospitals, and 27 out-patient clinics.

The activities of the DHEW in the field of research in human reproduction are among the most important being carried on today. By encouraging basic research in the broad area of child health, President John F. Kennedy focused attention on the long-range and fundamental issues involved in human reproduction and family planning. The National Institute of Child Health and Human Development, established in 1963, through research grants for more than 700 projects is developing basic knowledge on which fertility regulation and family planning programs can be based. In June 1965 the National Advisory Child Health and Human Development Council urged in a nine-point list of recommendations that an increased effort be made in the area of human reproduction, human fertility, and sterility. The Council then went on to list some of the types of required research. They are:

1. Basic Research in the complex, biological and behavioral phenomena involved in reproduction.
2. Basic Research in human reproductive cell development with particular emphasis on finding means to predict or produce ovulation with certainty as to timing in the menstrual cycle.
3. Basic Research in processes of fertilization, implantation, and early embryonic development.
4. Investigation of the causes of human infertility.
5. Studies of population levels and growth rates.
6. Examination of the complex social, psychosexual, and motivational factors which help determine both the desired family size and the size achieved.
7. Study of the influence of family size on the development of personality and character of children and parents.
8. Research in the development and testing of new techniques of family planning.
9. Investigations of various methods of family planning, with emphasis on the measurement of their efficacy, safety, acceptability, and their social and psychological impact in actual use by different population groups.

In 1966 the institute is spending approximately \$23,000,000 in research on human reproduction. Of this, \$5,000,000 is being devoted to studies relating to population.

As a correlary to the growing concern for family planning we are becoming increasingly aware of the need for a more pragmatic approach to family life education and sex education. Generally, over the years, our teaching methods

devoted to this topic have taken the form of a sustained silence. Since the mid-1940's our approaches to sex education have emphasized human relations. Family life education is not only important but is a vital responsibility of our educational system. It must rest on a solid basis of long-term interdisciplinary cooperation because it is synonymous with human education. Each community and educational institution must determine the role it should play in this area. The Office of Education has established a new policy on family life education and sex education. This policy is to give assistance to communities and educational institutions that wish to initiate or improve programs in this area as an integral part of the curriculum from preschool to college and adult levels. The Office of Education will support training for teachers and for health and guidance personnel at all levels of instruction. It will aid programs designed to help parents carry out their roles in family life education and sex education.

As local leadership accepts responsibility for expanding curricula in this area, Federal funds will be available for research in curriculum development and for demonstration teaching projects. Responsibility of educators is no longer confined to the three R's. It also includes consideration of the psychological, sociological, economic, and social factors that may affect personality and personal adjustment to the family and society. The Federal government does not prescribe the curriculum in English or mathematics, nor should it attempt to do so in this area. Only the institutions and the communities they serve can determine the direction, the depth, and the objectives of their programs in this controversial but significant area.

The goal of our programs is the promotion of physical and mental health that would result if every child were a wanted, planned-for child. We are committed to a research program designed to accelerate the development of knowledge on human reproduction, including infertility as well as fertility. We are committed to support programs to train needed professional personnel. We are committed to support programs in our schools for family life education. We are committed to support programs to provide family planning information and services to all who seek it. We are committed to a program to help all American families to exercise wisely their freedom of choice in determining the numbering and spacing of their children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Service

COST OF RAISING A CHILD

Talk by Lucile F. Mork
Consumer and Food Economics Research Division
at the 44th Annual Agricultural Outlook Conference
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To provide adequately for the upbringing of a child from birth to age 18 a farm family in the North Central region might spend between \$15,000 and \$27,000, at 1961 prices, and a Southern farm family might spend \$13,000 to \$27,000. (See tables 1 and 2.) Whether a family spends the lower or the upper figure, or something in between, depends on many factors. The amount of income the family has over the years and its total size are, of course, important in determining how much it can spend on each child. Because there are some "economies of scale" in raising a family, the number of children in the family also affects some of the costs to be met. Another important factor is where the family lives--not only the part of the country but whether in a city or on a farm. The preliminary estimates we are presenting here are for a child brought up on a farm.

Method of Developing Estimates 1/

These estimates of the cost of raising a child are based on data collected in the 1960-61 Survey of Consumer Expenditures, a cooperative project of the USDA and the Bureau of Labor Statistics of the U.S. Department of Labor. In developing the estimates, data for families consisting of father and mother and one to five children were used. The average child in this group, to whom these estimates are tailored, is a child in a family with 3.2 children in the North Central region or in a family with 3.1 children in the South.

Costs at three levels of adequacy are shown. These levels can be described most simply as the spending patterns that are associated with food consumption at the levels of the USDA's three food plans--low-cost, moderate-cost, and liberal. 2/ The families whose spending forms the basis for our estimates had, on the average, food whose value equalled the costs of the food plans. We therefore know that they were spending enough on food to have

1/ The techniques used were developed by Jean L. Pennock, Carol M. Jaeger, and Minnie Belle McIntosh.

2/ For a description of the food plans, see Family Food Plans and Food Costs, HERR 20, ARS, USDA, 1962. The January 1961 costs are published in the March 1961 issue of Family Economics Review, ARS 62-5, USDA.

adequate diets. We cannot say whether they were spending enough in other areas of consumption to live adequately, because there are few standards of adequacy in areas of family living other than food. However, we assume that the spending of families is "of a piece" across the areas of consumption--not "adequate" by the families' standards in one area and "inadequate" in another. Therefore our estimates cannot be below minimum adequacy by the standards of the community.

Some additional information about the circumstances of the families whose spending patterns form the basis of these estimates may help those of you who are not familiar with the food plans understand the levels of these estimates. The child for whom they are designed was in a family whose outlays and income were as follows: 3/

<u>Region and level of spending</u>	<u>Total outlays exclusive of savings and taxes</u>	<u>Income after taxes</u>
North Central		
Low-cost	\$5,045	\$5,755
Moderate-cost	7,462	7,550
Liberal	9,309	8,925
South		
Low-cost	4,196	4,326
Moderate-cost	7,276	7,374
Liberal	9,082	9,175

A detailed statement of the method of deriving the estimates is appended to this paper. For present purposes, a bird's-eye-view of our procedures will suffice. The estimated food costs are based on the food plans and are adjusted to allow for meals and snacks away from home as well as for the meals at home. The age intervals used in determining costs are therefore those used in the food plans:

Under 1	7-9
1-3	10-12
4-6	13-15
16-17	

3/ In the North Central region the average outlays are above the average income at the liberal-cost level because a number of families at that level reported negative incomes (i.e., their expenses for operating their farms or other businesses were greater than their gross income). It is usual for families to maintain approximately their normal level of living when income fluctuates temporarily and they have resources to carry them over the period of low income.

Clothing cost estimates are based on expenditures for children in the following age groups:

Under 2	6-11
2-5	12-15
16-17	

We estimated education costs from the expenditures of a selected group of families--those whose oldest child was no younger than 6 and no older than 17--so as not to include the expenditures on older children, most of which would be for college education. We therefore can show no variation within this age span. In all the other categories of consumption except medical care, we gave the child his per capita share of expenditures. We divided the total amount spent on medical care among the family members, using the ratios between age groups developed in the National Health Survey. ^{4/} In those categories in which the estimated cost is the child's per capita share of the family's expense, a distinction between costs for the child under 6 and the child 6 through 17 is possible because the family data were grouped by the age of the oldest child--under 6, 6 through 17, and 18 or over.

Limitations of the Data

Since the data that form the basis for these estimates apply to the year 1961, the estimates have built into them the assumption that the child goes through his 18 years in the 1961 environment. In reality, in 1961 there were on the market and being consumed by these children some goods and services not available when the oldest of them were born and there will be other new things before the youngest reach 18. Then, too, the costs for a given basket of goods have not been and will not be static. The estimates for the full 18 years are too high for the child reaching age 18 in 1961 and too low for the child born in that year.

But if prices aren't static, neither is real income. As real income increases, the other goods and services that belong in the basket with a given level of food consumption increase. Moreover, in the course of growing up, many children move from one cost level to a higher one because as a rule family income rises during the expanding phase of the family life cycle.

The estimates, being in terms of costs for the average child at a given age, hide the variation that is associated with family size. Estimates for children in families of different sizes are not possible because the sample was not large enough to provide stable averages for individual size classes. Those of you who are familiar with the food plans know something of the

^{4/} Medical Care, Health Status, and Family Income, United States. Vital and Health Statistics, Series 10, No. 9, p. 45. U.S. National Center for Health Statistics, 1964.

variation by family size that their use introduces. Based on the allowances in the moderate-cost food plan for the North Central region, without adjustment for meals away from home, the costs per child vary with family size as follows: 5/

<u>Father, mother, and--</u>	<u>Child's allowance for 18 years</u>
1 child -----	\$5,726
2 children -----	5,453
3 children -----	5,181
4 or 5 children ---	4,908

Fewer economies of scale can be achieved in clothing than in food even though there frequently is some handing down of clothing when there are several children of the same sex. On the other hand, expenditures per child for housing and transportation are much less in large than in small families. The size of the dwelling and the associated costs, and the costs of owning and operating the family car do not increase in direct proportion to the size of the family. Consequently, when these costs are divided among the members of the family, the per capita costs are usually larger in small families than in large families.

There are some expenses involved in raising a child that have not been included in these estimates. Among these are the value of all services received from the government, or subsidized costs, including the cost of the public school system and the many health services provided. A nonmoney cost not valued in these estimates is the value of personal services performed by members of the family. The child might be assigned a family member's share of such services as benefit the whole family and child care services (used in its broadest sense to include chauffeuring, etc.) could have been divided among the children.

Families escape some costs in bringing up a child because some of the child's needs are met by gifts. The value of these gifts has not been considered in estimating costs. To the extent that a child receives more or less than the average amount of gifts, the estimates overstate or understate average costs.

Estimates at the Moderate-Cost Level, North Central Region

The costs of raising a child are not distributed evenly over the years. To see how they are built up, let us look at the moderate-cost estimates for

5/ These allowances assume that family size is static throughout the 18-year period with which we are concerned, a situation that is true for a one-child family only. The food plan assumes a 4-person family and provides for an adjustment of an additional 5 percent per person in a 3-person family, 5 percent less per person in a 5-person family, and 10 percent less per person in families of 6 or more.

a farm child in the North Central region. (See chart 1.) For the 18 years, the estimated total cost is \$21,760. The cost per year increases from \$860 in the first year of life to \$1,470 for a 17-year-old, an increase of 71 percent.

Food.--Food accounts for a large part of the year-to-year variation. The cost is not particularly large during the first few months or year. In this early period, the diet is usually limited to a formula, cereal, and strained fruits and vegetables, and the quantities consumed are not great. Food costs, however, soon begin to climb and continue until the child is grown.

Among farm families in the North Central region at the moderate-cost level in 1961 the cost of food at home for the average child under 1 year of age is estimated at \$160. (See table 1.) From 1 through 3 years of age, the cost is somewhat higher, an average of \$190 a year. When the child reaches school age, the cost of food at home, including school lunches and snacks, is quite a lot higher--\$260 a year from the age of 7 through 9 and \$310 from 10 through 12. Food eaten away from home is estimated to cost about \$40 a year for the child from the age of 6 through 17.

Up to age 9 boys and girls eat about the same quantity of food and their costs are about the same. As boys grow older, however, and become involved in more active sports, they need and eat more food than girls. Despite these differences we have not made separate estimates for boys and girls, but have averaged the food costs.

The estimated cost of food continues to increase during the teens. The annual cost of food is estimated at \$350 for the years from 13 through 15 and \$380 from 16 through 17.

The total estimate for food from birth through age 17 is about \$5,440 for the average child in the families at a moderate-cost level of living in the North Central region.

Clothing.--Clothing accounts for much of the remaining year-to-year variation in the cost of bringing up a child. Clothing costs, like food costs, tend to go up with the age of the child.

Among families in the North Central region with a moderate level of consumption in 1961, the cost of clothing the average child under 2 years of age is estimated at about \$40 a year. There are several factors that help to account for comparatively low cost of clothing for children under 2 years of age. Clothing requirements of the child less than 2 years old are not great. The main requirement is for the child to be protected from the elements. Children at this early age get along well on a limited supply of clothing as long as they have enough to keep them clean. Moreover, the custom of giving gifts to the new-born often provides for a large part of the infant's needs. Then, too, baby clothes, as a rule, are outgrown before they are worn out. Consequently, in families with more than one child, baby clothes are often held over and used a second or even a third time.

As the child increases his activity, the cost of clothing also increases. Between 2 and 6 years of age, the cost of clothing is estimated to be about \$50 higher a year than for the child under 2 and amounts to about \$90 annually. At this age level the child needs a wider variety of clothing.

Another jump in the cost of clothing comes when the child starts to school. At this age the child begins to grow fast and there is a slow trend upward in the cost of clothing for the next 6 years. This is the period when a child outgrows and wears out his clothing rapidly.

From the age of 12 on through the high school years, clothing costs continue to increase. This includes the period of highest costs--\$240 a year at ages 16 and 17. Along about the 12th or 13th year girls, particularly, become sensitive about the clothes they wear. They want to be dressed like their friends and have a wide variety of different types of clothes. Some have strong feelings about whether their clothes are readymade or homemade. For boys, suits or separates--trousers and jackets--begin to cost more. Shoes are in the same price range as those for adults. Replacement continues to be a major problem, because it is usually not until the middle or late teens that the child reaches full growth.

The total cost of clothing for the average child through age 17 is estimated at about \$2,640.

Housing--Housing, which includes not only the annual costs on the house itself, but running and furnishing it, is the one category of consumption that brings about some reduction in the upward climb of yearly costs for bringing up a child. The cost for housing goes down slightly as the child ages.

The estimated cost of the child's share of housing is about \$320 a year under age 6 and \$310 a year from 6 through 17 years of age.

As you consider your own experience or look around among your friends and acquaintances and see those with teenage children moving into larger and better houses or sprucing up the old place, it may strike you as strange that the cost is lower for the older child than for the younger child. In our basic data, the older child is in a slightly larger family than the younger child, so he gets a smaller share of the housing expenditure. But there is a more important reason these estimates of housing costs may not agree with your personal experience. As was pointed out earlier, income usually rises over the family life cycle. As a result, many of the families who were living at the low-cost level when the children were young, have moved to the moderate-cost level by the time they are teenagers, and those who began at the moderate-cost level may have graduated to the liberal level. So the actual progression of expenditures is likely to be from \$240, the estimate for the young child at the low-cost level, to \$310, the estimate for the older child at the moderate-cost level; or from \$320, the moderate-cost estimate, to \$380, the liberal estimate.

The total housing cost for the 18 years is estimated at about \$5,640.

Medical care.--The cost of medical care at the moderate-cost level in the North Central region is estimated at a constant level throughout the 18-year span. When variation does occur at other cost levels and in other regions, costs are less for the child in the 6-through-17 age bracket than for the child under 6. At the moderate-cost level in the North Central region, costs are estimated at \$50 per year, \$900 to age 18.

In actual practice, expenditures for the medical care of a child will vary more than expenditures in most of the other categories of consumption. The amounts spent will depend in part on the standards of the family, but will be determined very largely by the child's health during the year.

Education.--The direct cost to the family for the education of the average child from elementary through high school is not very great. The expenditures are mainly for school supplies and special lessons such as music or dancing. Tuition and fees paid to attend private, parochial, and special schools are also included in the basic data, but when the expenditures for the few children attending such schools are averaged over the entire child population they do not add much to the cost for the average child. During the course of the school years, the costs for education are estimated at about \$40 per year or \$480 to age 18 at the moderate-cost level in the North Central region.

Transportation.--The estimated cost of transportation, which is the child's proportionate share of family expenditures, ranged from \$160 for the years under 6 to \$240 for the years from 6 through 17. For the 18-year period, the total cost is estimated at about \$3,840.

The purchase and operation of the family car (or cars) makes up most of the expense for transportation. The majority of farm families own a car whether or not there are children. But in families with children more miles are driven and the likelihood of a second car is greater. In many instances the extent to which the children are able to take part in various activities depends on whether there is a car available to take them to the place of activity.

Other.--The costs included here are for personal care, recreation, reading, and miscellaneous family expenses. The average cost is estimated at about \$130 a year for the years under 6 and \$170 a year from the age of 6 through 17. The total cost for the 18-year period is about \$2,820.

Differences Between Regions and Between Levels

The estimated cost of bringing up a child at the moderate-cost level in the South is slightly higher than the cost in the North Central region,

described above--\$21,850 as compared with \$21,760. (See charts 2 and 3.) In most of the categories of consumption costs in the South are lower, but outweighing these lower costs are much higher costs for medical care and transportation.

Tables 1 and 2 also present estimated costs based on the spending patterns of families whose food expenditures were at the levels of the low-cost and liberal food plans. In the North Central region, the estimated cost for the 18-year span at the low-cost level is 31 percent less than at the moderate-cost level, while the costs at the liberal level are 24 percent higher than at the moderate-cost level. In the South, the difference in costs at the low-cost and moderate-cost levels is greater than in the North Central region but costs at the moderate-cost and liberal levels are in about the same relation as in the North Central region.

Clothing costs are a constant proportion of total costs at all three levels and in both regions--12 percent. Education also is constant at 2 percent. Housing and medical care are practically constant, varying only 1 percent. Food accounts for about 5 percent more of the total costs at the low-cost than at the liberal level. Transportation and the "all other" category, on the other hand, are relatively less important at the low-cost than at the liberal level.

Conclusion

The cost of raising a child probably is known by the full-fledged family. But information about these costs can help the young family or the young couple planning a family realize the financial responsibilities that lie ahead of them.

Frequently social welfare agencies and lawyers indicate a need for the type of estimates given in this paper. In your roles as resource people in your communities, you may find this information useful.

We plan to develop comparable estimates for nonfarm children. Therefore we will welcome your comments on these estimates for a farm child.

When we publish our estimates for nonfarm children, we will also discuss the problem of updating the costs.

Methodological Appendix

In deriving the estimates of the costs of raising a child, the spending patterns of families that were similar in number of children and age of the oldest child were examined. Nine such groups were used. The families in each

group consisted of husband and wife and no other persons except their children, distributed as follows:

- 1 child under 6 years of age
- 2-5 children, oldest under 6 years of age
- 1 child, 6-17 years of age
- 2 children, oldest 6-17 years of age
- 3 children, oldest 6-17 years of age
- 4 or 5 children, oldest 6-17 years of age
- 2 children, oldest 18 years of age or older
- 3 children, oldest 18 years of age or older
- 4-5 children, oldest 18 years of age or older

The normal relation between food and total consumption was looked for in regressions using the formula $Y = a + bX$ (food being Y and total consumption X). To assure the most stable possible relation between food and total consumption, two sets of adjustments were made to these values before running the regressions.

(1) Because there is great year-to-year variability in families' expenditures for medical care and automobile purchases and because high medical expenditures may indicate calamity rather than a high plane of living, these two groups of expenditures were excluded in locating families at the levels of the three food plans, but outlays for gifts and contributions and for personal insurance were added to the categories usually included in consumption. When the families spending at the levels of the three food plans were located on the regression lines, their average expenditures for medical care and for automobile purchase were determined. The values were then added to other consumption categories to arrive at the total costs.

(2) Two adjustments were necessary in the food data. The first was made because farm families who produce some of their own food eat better than they live in other respects ^{6/} and we are interested in families living on the same planes rather than families eating at similar levels. Therefore that proportion of the home-produced food that raises the level of food consumption was subtracted from the value of food. The second adjustment took account of the fact that the food plans assume each family member eats 21 meals per week at home. Other studies have shown that a meal away from home costs roughly twice as much as a meal at home. Therefore one-half the cost of all meals away from home except school lunches was subtracted from the value of food. We assumed that a child's lunch costs the family much the same at home and at school since most school lunches are subsidized.

In some categories of consumption, notably clothing, the survey data indicate the individual for whom the expenditures were made. We can, therefore,

^{6/} See Pennock, J. L. "Home Production and the Family's Food," Family Economics Review. ARS 62-5, USDA. September 1966, pp. 13-14.

develop cost estimates tailored to specific age groups. In many areas of consumption, however, expenditures were reported on a family basis. When the costs for individuals cannot be differentiated, the child has been assigned his per capita share of the family's expense. These per capita cost estimates were developed independently for children under 6 years of age and 6 through 17 years of age using the family size-type groups indicated above.

Estimates have been rounded to the nearest \$10 to avoid a false appearance of accuracy.

The estimated costs in the various categories of consumption were computed as follows:

Food.--The cost for food at home is the allowance in the food plan, adjusted for family size and to take into account the lower prices farm families pay. These costs have also been decreased in line with the costs for meals and snacks away from home. The age intervals used are those of the food plans as published in 1961:

Under 1	4-6	13-15
1-3	7-9	16-17
	10-12	

No differentiation in costs has been made for sex. The costs in the age intervals in which the food plans differentiate between costs for boys and girls are averages of the food plan allowances for boys and girls.

The estimated cost for food away from home is the child's per capita share of expenditures for meals other than those at work and at school and for snacks. It is assumed that no children in the age range we are concerned with were employed and so we allowed no meals at work. We also assumed that children under 4 years of age do not eat in restaurants. Because a meal bought away from home costs roughly twice as much as a meal at home, one-half the cost of meals away from home has been subtracted from the cost for food at home.

The age intervals used in computing the costs of food away from home are those employed in the basic grouping of families--under 6 years and 6-17.

Clothing.--The estimated costs are derived from the actual expenditures for children in the following age groups:

Under 2	6-11
2-5	12-15
	16-17

To these has been added a per capita share of family expenditures for clothing materials and services.

Housing--This category includes the cost for the family dwelling; fuel, light, refrigeration and water; household operations; and housefurnishings and equipment. The cost per child is a per capita share of the family's reported expenditures. The age intervals used in computing the estimated costs are those employed in the basic grouping of families--under 6 and 6-17.

Medical care--The family expenditures reported in the 1961 Survey of Consumer Expenditures were assigned to individuals on the basis of the variation in individuals' expenditures by age in a survey conducted as part of the National Health Survey ^{7/}. When the expenditures of persons 15 to 44 years of age are set at 100, the relatives are as follows for the income levels shown:

<u>Age</u>	<u>\$2,000-\$3,999</u>	<u>\$4,000-\$6,999</u>	<u>\$7,000 and over</u>
Under 15 years	39.8	45.5	51.3
15-44 years	100.0	100.0	100.0
45-64 years	156.5	143.2	141.7
65 years and older	197.2	159.1	197.4

The \$2,000-\$3,999 ratios were used in computing costs at the low-cost level; the \$4,000-\$6,999 ratios at the moderate-cost level; and the ratios for \$7,000 and over at the liberal level. However, we have applied the ratios for under 15 years to 15-, 16-, and 17-year-olds rather than the ratio for 15 through 44. Other studies indicate that adolescence is one of the healthiest periods. Therefore the ratio for those under 15 seems more pertinent to this 3-year span than the ratio for 15 through 44 years, which includes the child-bearing years for women and the period in which the degenerative diseases begin to develop.

Expenditures for medical care vary greatly because of the irregular incidence of illness and accidents. In relatively small samples such as these estimates are derived from, the standard error of the average expenditure may be quite large. It is probable that the difference in the data for the North Central and South, resulting in different cost estimates, is not statistically significant.

Education--Costs were estimated from the expenditures of families whose oldest child was 6 to 17 years of age. Inspection of a selection of questionnaires from the Survey of Consumer Expenditures showed that most of the education expenditures reported by families whose youngest child was under 6 were incurred for the husband or wife, while expenditures in families whose oldest child was 18 years of age or more frequently were for college education of these older children. Because the data are not in a form to permit us to relate the education expenses to specific individuals in the families, the costs were estimated on data for the family types that reported a minimum of the expenditures that should be excluded.

^{7/} See Footnote 4.

Transportation.--This category includes costs for the purchase and operation of automobiles and for public transportation. The child is assigned a per capita share of expenditures. The age intervals used are those employed in the basic grouping of families--under 6 years of age and 6 through 17.

All other.--Included here are the child's per capita share of the family's expenditures for personal care, recreation, reading, and other miscellaneous expenditures. Children in the age groups with which we are concerned were assumed not to use tobacco and alcoholic beverages. They have been assigned no cost for insurance or gifts and contributions.

Table 1.--Estimated cost of raising a farm child at three levels of adequacy, North Central region, 1961
(In family of husband and wife and no more than five children)

Age of child (years)	Total	Food			Clothing	Housing 2/	Medical care	Educa- tion	Transpor- tation	All other
		Total	At home 1/.	Away from home						
Low cost										
Total -----	\$15,010	\$4,350	\$4,070	\$280	\$1,840	\$4,080	\$720	\$240	\$2,400	\$1,380
Under 1 --	630	130	130	--	30	240	40	--	120	70
1 -----	660	160	160	--	30	240	40	--	120	70
2 -----	700	160	160	--	70	240	40	--	120	70
3 -----	700	160	160	--	70	240	40	--	120	70
4 -----	740	200	180	20	70	240	40	--	120	70
5 -----	740	200	180	20	70	240	40	--	120	70
6 -----	800	200	180	20	100	220	40	20	140	80
7 -----	840	240	220	20	100	220	40	20	140	80
8 -----	840	240	220	20	100	220	40	20	140	80
9 -----	840	240	220	20	100	220	40	20	140	80
10 -----	880	280	260	20	100	220	40	20	140	80
11 -----	880	280	260	20	100	220	40	20	140	80
12 -----	920	280	260	20	140	220	40	20	140	80
13 -----	940	300	280	20	140	220	40	20	140	80
14 -----	940	300	280	20	140	220	40	20	140	80
15 -----	940	300	280	20	140	220	40	20	140	80
16 -----	1,010	340	320	20	170	220	40	20	140	80
17 -----	1,010	340	320	20	170	220	40	20	140	80
Moderate cost										
Total -----	21,760	5,440	4,900	540	2,640	5,640	900	480	3,840	2,820
Under 1 --	860	160	160	--	40	320	50	--	160	130
1 -----	890	190	190	--	40	320	50	--	160	130
2 -----	940	190	190	--	90	320	50	--	160	130
3 -----	940	190	190	--	90	320	50	--	160	130
4 -----	1,000	250	220	30	90	320	50	--	160	130
5 -----	1,000	250	220	30	90	320	50	--	160	130
6 -----	1,200	250	210	40	140	310	50	40	240	170
7 -----	1,250	300	260	40	140	310	50	40	240	170
8 -----	1,250	300	260	40	140	310	50	40	240	170
9 -----	1,250	300	260	40	140	310	50	40	240	170
10 -----	1,300	350	310	40	140	310	50	40	240	170
11 -----	1,300	350	310	40	140	310	50	40	240	170
12 -----	1,380	350	310	40	220	310	50	40	240	170
13 -----	1,420	390	350	40	220	310	50	40	240	170
14 -----	1,420	390	350	40	220	310	50	40	240	170
15 -----	1,420	390	350	40	220	310	50	40	240	170
16 -----	1,470	420	380	40	240	310	50	40	240	170
17 -----	1,470	420	380	40	240	310	50	40	240	170
Liberal										
Total -----	26,930	6,370	5,550	820	3,160	6,900	1,080	600	4,860	3,960
Under 1 --	1,040	170	170	--	50	390	60	--	190	180
1 -----	1,090	220	220	--	50	390	60	--	190	180
2 -----	1,150	220	220	--	110	390	60	--	190	180
3 -----	1,150	220	220	--	110	390	60	--	190	180
4 -----	1,230	300	250	50	110	390	60	--	190	180
5 -----	1,230	300	250	50	110	390	60	--	190	180
6 -----	1,500	300	240	60	160	380	60	50	310	240
7 -----	1,550	350	290	60	160	380	60	50	310	240
8 -----	1,550	350	290	60	160	380	60	50	310	240
9 -----	1,550	350	290	60	160	380	60	50	310	240
10 -----	1,610	410	350	60	160	380	60	50	310	240
11 -----	1,610	410	350	60	160	380	60	50	310	240
12 -----	1,720	410	350	60	270	380	60	50	310	240
13 -----	1,770	460	400	60	270	380	60	50	310	240
14 -----	1,770	460	400	60	270	380	60	50	310	240
15 -----	1,770	460	400	60	270	380	60	50	310	240
16 -----	1,820	490	430	60	290	380	60	50	310	240
17 -----	1,820	490	430	60	290	380	60	50	310	240

1/ Includes home produced. 2/ Includes shelter, fuel, light, refrigeration, and water, household operations, and furnishings and equipment.

Source: Derived from 1960-61 Survey of Consumer Expenditures.

Table 2.--Estimated cost of raising a farm child at three levels of adequacy, Southern region, 1961
(In family of husband and wife and no more than five children)

Age of child (years)	Total	Food			Clothing	Housing 2/	Medical care	Educa- tion	Transpor- tation	All other
		Total	At home 1/	Away from home						
Low cost										
Total -----	\$13,270	\$3,910	\$3,630	\$280	\$1,620	\$3,120	\$540	\$240	\$2,580	\$1,260
Under 1 --	570	120	120	--	40	180	30	--	130	70
1 -----	600	150	150	--	40	180	30	--	130	70
2 -----	620	150	150	--	60	180	30	--	130	70
3 -----	620	150	150	--	60	180	30	--	130	70
4 -----	660	190	170	20	60	180	30	--	130	70
5 -----	660	190	170	20	60	180	30	--	130	70
6 -----	720	190	170	20	90	170	30	20	150	70
7 -----	740	210	190	20	90	170	30	20	150	70
8 -----	740	210	190	20	90	170	30	20	150	70
9 -----	740	210	190	20	90	170	30	20	150	70
10 -----	780	250	230	20	90	170	30	20	150	70
11 -----	780	250	230	20	90	170	30	20	150	70
12 -----	800	250	230	20	110	170	30	20	150	70
13 -----	820	270	250	20	110	170	30	20	150	70
14 -----	820	270	250	20	110	170	30	20	150	70
15 -----	820	270	250	20	110	170	30	20	150	70
16 -----	890	290	270	20	160	170	30	20	150	70
17 -----	890	290	270	20	160	170	30	20	150	70
Moderate cost										
Total -----	\$21,850	5,190	4,770	420	2,620	5,520	\$1,140	360	4,680	2,340
Under 1 --	970	160	160	--	50	320	70	--	240	130
1 -----	1,000	190	190	--	50	320	70	--	240	130
2 -----	1,050	190	190	--	100	320	70	--	240	130
3 -----	1,050	190	190	--	100	320	70	--	240	130
4 -----	1,100	240	210	30	100	320	70	--	240	130
5 -----	1,100	240	210	30	100	320	70	--	240	130
6 -----	1,180	240	210	30	150	300	60	30	270	130
7 -----	1,220	280	250	30	150	300	60	30	270	130
8 -----	1,220	280	250	30	150	300	60	30	270	130
9 -----	1,220	280	250	30	150	300	60	30	270	130
10 -----	1,270	330	300	30	150	300	60	30	270	130
11 -----	1,270	330	300	30	150	300	60	30	270	130
12 -----	1,310	330	300	30	190	300	60	30	270	130
13 -----	1,350	370	340	30	190	300	60	30	270	130
14 -----	1,350	370	340	30	190	300	60	30	270	130
15 -----	1,350	370	340	30	190	300	60	30	270	130
16 -----	1,420	400	370	30	230	300	60	30	270	130
17 -----	1,420	400	370	30	230	300	60	30	270	130
Liberal										
Total -----	26,930	6,090	5,530	560	3,200	6,840	1,440	480	5,940	2,940
Under 1 --	1,210	170	170	--	60	400	100	--	310	170
1 -----	1,260	220	220	--	60	400	100	--	310	170
2 -----	1,320	220	220	--	120	400	100	--	310	170
3 -----	1,320	220	220	--	120	400	100	--	310	170
4 -----	1,390	290	250	40	120	400	100	--	310	170
5 -----	1,390	290	250	40	120	400	100	--	310	170
6 -----	1,450	290	250	40	180	370	70	40	340	160
7 -----	1,490	330	290	40	180	370	70	40	340	160
8 -----	1,490	330	290	40	180	370	70	40	340	160
9 -----	1,490	330	290	40	180	370	70	40	340	160
10 -----	1,550	390	350	40	180	370	70	40	340	160
11 -----	1,550	390	350	40	180	370	70	40	340	160
12 -----	1,610	390	350	40	240	370	70	40	340	160
13 -----	1,650	430	390	40	240	370	70	40	340	160
14 -----	1,650	430	390	40	240	370	70	40	340	160
15 -----	1,650	430	390	40	240	370	70	40	340	160
16 -----	1,730	470	430	40	280	370	70	40	340	160
17 -----	1,730	470	430	40	280	370	70	40	340	160

1/ Includes home produced. 2/ Includes shelter, fuel, light, refrigeration and water, household operations, and furnishings and equipment.

Source: Derived from 1960-61 Survey of Consumer Expenditures.

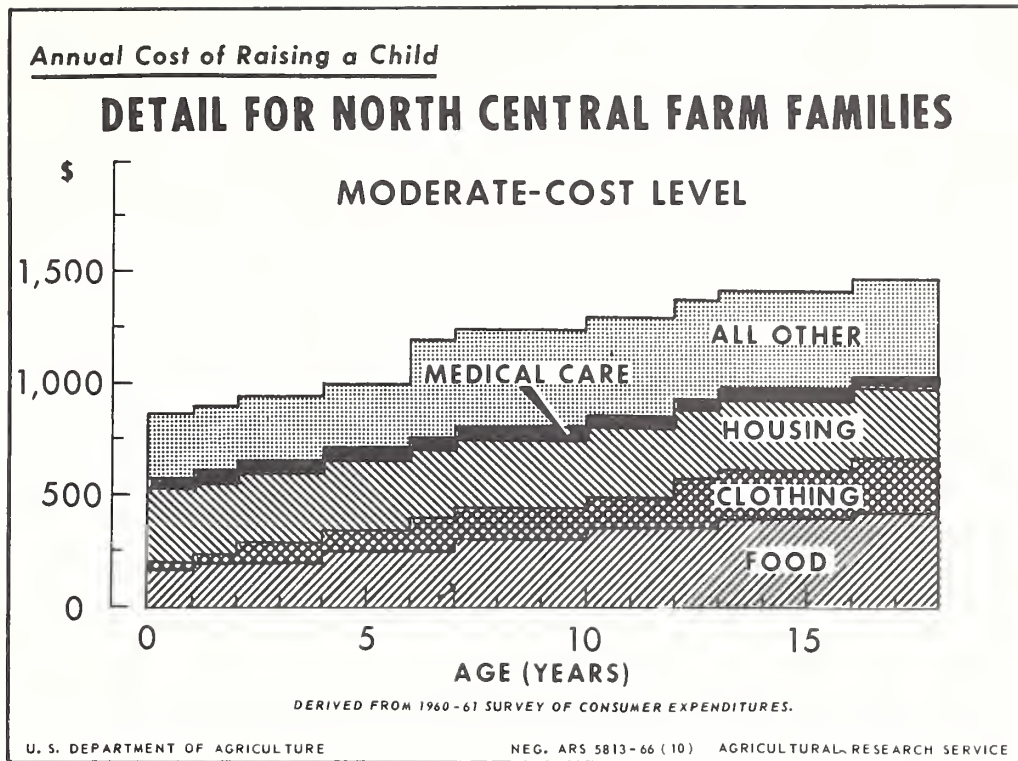


Chart 1

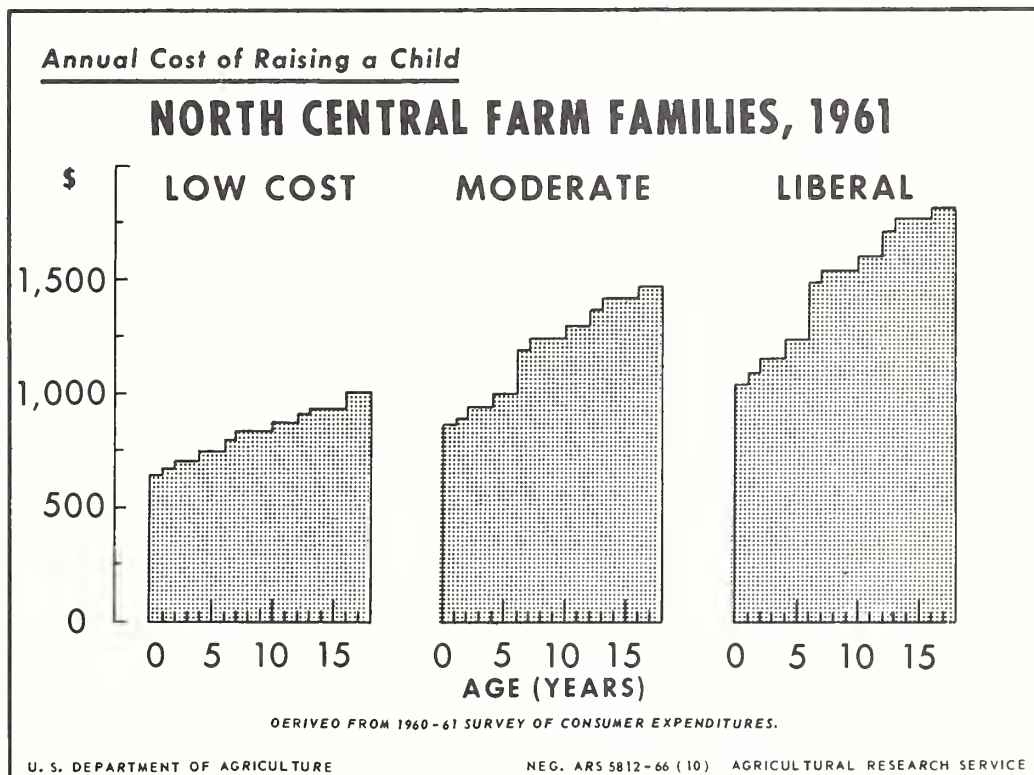


Chart 2

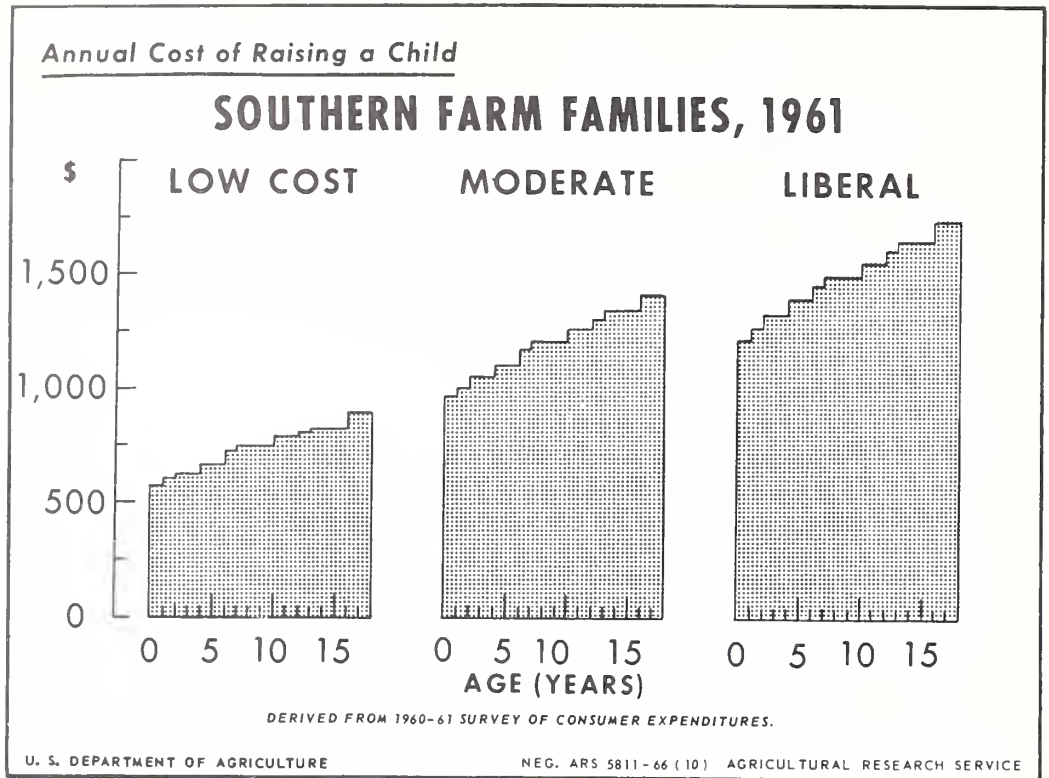


Chart 3

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR RICE in 1966-67

Statement prepared by William R. Askew
Economic and Statistical Analysis Division
for the 44th Annual Agricultural Outlook Conference
Washington, D. C., Wednesday, November 16, 1966

The supply of rice in 1966-67, based on indications in October, totals 93 million hundredweight (all data unless otherwise noted are in terms of rough rice). A supply of this size is the largest on record and primarily results from the record 1966 crop. The carryover of rice on August 1, 1966, estimated at 8.2 million cwt., was virtually unchanged from the level of recent years. Imports, mostly of broken rice, in 1965-66 were the largest since 1959-60, but they are not likely to be as large this year (table 1).

Food use of rice (including that shipped to the territories and used by the armed forces) in 1965-66 totaled 23.4 million cwt. While this was somewhat smaller than that of a year earlier, it continues the general uptrend of recent years. In terms of milled rice, this amounted to about 17 million cwt., with an average per capita consumption (continental U. S. civilian) of 7.2 pounds, almost 5 percent above the 1959-63 average of 6.7 pounds (table 2). Per capita consumption of rice in the U. S. continues to increase, but there are year-to-year fluctuations that obscure the steady uptrend, such as the jump to 7.6 pounds in 1964-65 from the 7.0 pounds of a year earlier and the drop to 7.2 pounds in 1965-66. These fluctuations are probably due more to the lack of complete stock data rather than any actual change in consumer preferences or food price relationships. Use of rice in beer in 1965-66 was the largest since 1961-62 and was responsible for the larger imports. Increased seed use resulted from the 10 percent larger acreage allotment prevailing for the 1966 crop.

In 1966-67, food use is likely to continue to climb and may total around 25 million cwt. Brewers' use of rice will depend on the availability of broken rice, and the price relative to that of corn grits. Seed use is directly related to the acreage allotment for the 1967 crop which had not been announced when this statement was prepared in late October. It is estimated that total domestic disappearance of rice in 1966-67 is likely to be around 32 million cwt.

The supply of rice available for export and carryover in 1966-67 would be around 61 million cwt., about 10 percent above that of last year. Of the 54.5 million cwt. available in 1965-66, 43.3 million was exported with the remainder going into carryover stocks. Exports for dollars accounted for 27.1 million cwt., continuing the expansion in commercial sales started in 1961-62. (See chart) Japan remained as the largest

commercial buyer, purchasing about the same quantity as the 6.8 million cwt. in 1964-65. U. S. sales to Japan did not increase as they had in recent years due to increased competition from Taiwan and Mainland China. Government-financed exports in 1965-66, totaling 16.2 million cwt., were almost the same as a year earlier. The Republic of South Vietnam imported more U. S. rice than any other country--10.2 million cwt.--all under government programs. In 1964-65, India obtained about that amount under P.L. 480, while South Vietnam received only 1.4 million cwt.

In 1966-67, total exports may continue to rise as a result of some further increase in commercial sales. The level of commercial sales will depend mainly on the availability of rice from Thailand and Burma, as well as Mainland China's export policy. Rice exported by China in recent years for political and foreign exchange reasons was more than offset by imports of wheat. World rice prices strengthened last year and have been high in relation to those for wheat--a ratio of around 2 to 1. Registrations for export payments from August 1 to October 25 of this year totaled 7.2 million cwt., with 4.1 million reported as commercial sales. During the same period in 1965, total registrations were 9.4 million cwt., of which commercial sales accounted for 5.8 million.

The size of the year-end carryover on July 31, 1967 will depend largely on the total amount exported in the current marketing year. Stocks are not likely to fall below the 7-8 million cwt. of recent years and could increase slightly. The national average loan rate for the 1966 crop remains at \$4.50 per cwt. of rough rice. In 1965-66, with this loan rate in effect, the season average price to farmers was \$4.89 per cwt. and it is likely to be about the same in 1966-67.

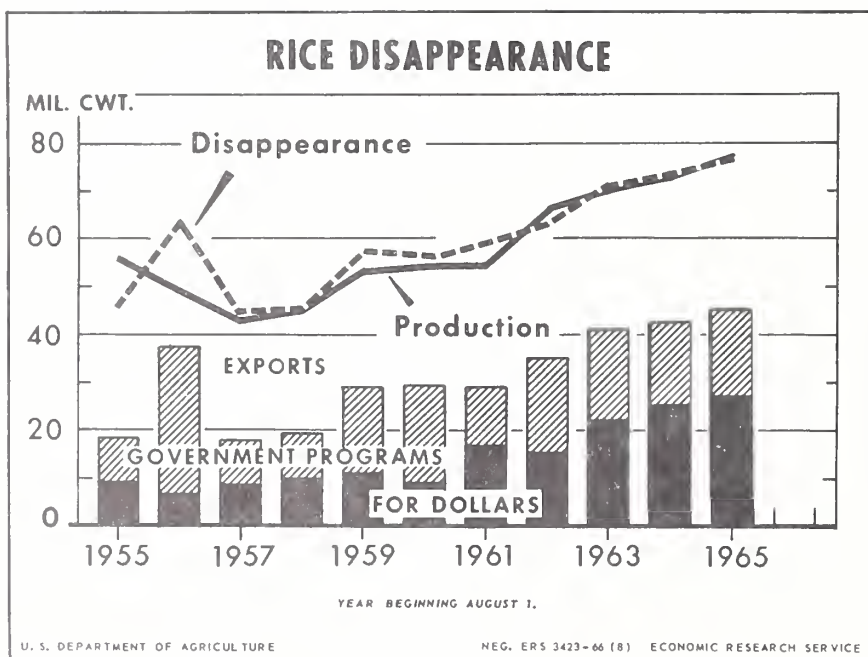


Table 1.- Rice, rough equivalent: Supply and distribution and prices,
United States, Average 1959-63, Annual 1962-66 1/

Item	Year beginning August					
	1959-63 average	1962	1963	1964	1965 <u>2/</u>	1966 <u>2/</u>
	Mil. cwt.	Mil. cwt.	Mil. cwt.	Mil. cwt.	Mil. cwt.	Mil. cwt.
<u>Supply</u>						
Carryover August 1	10.2	5.3	7.7	7.5	7.7	8.2
Production	59.8	66.1	70.3	73.1	76.9	84.5
Imports	.3	3/	3/	.5	.7	.3
Total supply	70.3	71.4	78.0	81.1	85.3	93.0
<u>Domestic disappearance</u>						
Food <u>4/</u>	21.4	21.5	22.5	24.3	23.4	
Seed	2.3	2.4	2.4	2.4	2.7	
Industry <u>5/</u>	4.5	4.1	3.8	4.3	4.7	
Total	28.2	28.0	28.7	31.0	30.8	
<u>Available for export and carryover</u>	42.1	43.4	49.3	50.1	54.5	
<u>Total exports</u>	33.0	35.5	41.8	42.5	43.3	
For dollars	(15.1)	(16.0)	(22.6)	(25.0)	(27.1)	
Total disappearance	61.2	63.5	70.5	73.5	74.1	
<u>Carryover July 31</u>	8.6	7.7	7.5	7.7	8.2	
Privately owned--"Free"	(5.7)	(5.9)	(6.1)	(6.6)		
Total distribution	69.8	71.2	78.0	81.2	82.3	
Difference unaccounted <u>6/</u>	+5	+2	---	-.1	+3.0	
----- Dollars per cwt. -----						
<u>Price Support</u>						
National average loan rate	4.59	4.71	4.71	4.71	4.50	4.50
<u>Price Received by farmers</u>						
Season average	4.87	5.04	5.01	4.90	4.89	
<u>Farm price above support</u>	.28	.33	.30	.19	.39	

1/ Data apply to only major rice-producing States. Milled rice converted to rough basis at annual extraction rate. 2/ Preliminary. 3/ Less than 50,000 cwt. 4/ Includes shipments to U. S. territories and rice for military food use at home and abroad. 5/ Primarily for beer production. 6/ Results from loss, waste, the variance in conversion factors, the lack of data on other uses, and the different crop years for the two rice areas.

Table 2.- Rice, milled: Supply and distribution, United States, 1959-65

Year beginning August:	Supply				Distribution							
	Beginning stocks: 1/	Mill production:	Imports:	Total	Used by breweries:	Domestic disappearance				Exports	Year-end stocks: 1/	
						Territorial:	Military:	Food Use	Continental:			

1/ Stocks at mills, warehouses and ports in major rice-producing States, only. Do not include stocks held by distributors, packagers, food processors or brewers in any State.

2/ For military use at home and abroad.

3/ Includes the 2 States of Alaska and Hawaii.

4/ Derived by dividing continental civilian food use by estimates of population in the 50 states eating from civilian food supplies.

5/ Comparable with the "Food Use" item on a rough basis in table 1.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR COTTON IN 1967

Talk by James R. Donald
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D.C., 2:45 P.M., Wednesday, November 16, 1966

The cotton outlook is highlighted by a prospective sharp reduction in the carryover. By next August, stocks may total around 13 million bales. This would be down sharply from record-high stocks of nearly 17 million bales last August. (See figure 1.)

The decline this season is a sharp reversal of the movement in the past 5 crop years, when the carryover increased an average of about 2 million bales a year because of large crops and declining disappearance--particularly of cotton exports. In recent years, cotton has been the number one surplus problem.

The outlook is different this year because of a small 1966 crop and rising disappearance. Cotton production this year is expected to total around 10.7 million bales--down over 4 million bales from the 1965 crop and the smallest since 1950. This is nearly 4 million bales below estimated disappearance of over $14\frac{1}{2}$ million bales--which would be over 2 million bales above 1965-66. (See figure 2.) The small 1966 crop reflects a sharp reduction in acreage and a slight decline in the average yield. Mill use this year is increasing slightly and is expected to be at the highest level since 1950-51. Exports may total around 5 million bales in 1966-67--a sharp recovery from last year's total of only 2.9 million bales.

The 1966 crop is being produced on 9.8 million acres--down nearly 4 million acres from last year. Planted acreage is the smallest in nearly 100 years. Acreage was reduced sharply this year when producers signed up to divert about 4.6 million acres of their allotment to soil conserving uses. Last year, acreage available for planting was reduced only about 1 million acres by producer participation in the Domestic Allotment Program. Producers could divert up to 35 percent of their farm allotment and many chose this option. They received 10.5 cents per pound on the projected production of the acreage diverted. Farms with 98 percent of the national acreage allotment are participating in the 1966-67 cotton program.

The indicated 1966 national average yield is 52⁴ pounds--down from last year's record of 526 pounds. (See figure 3.) The indicated yield is well below the level that would be expected on the basis of the long-term trend in

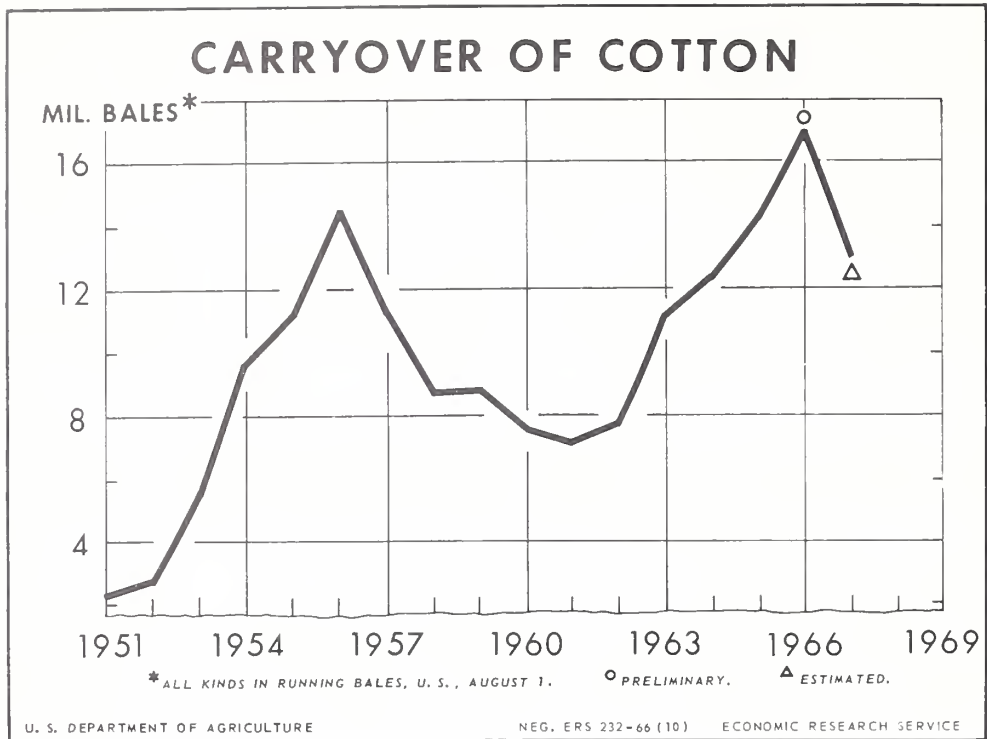


Figure 1

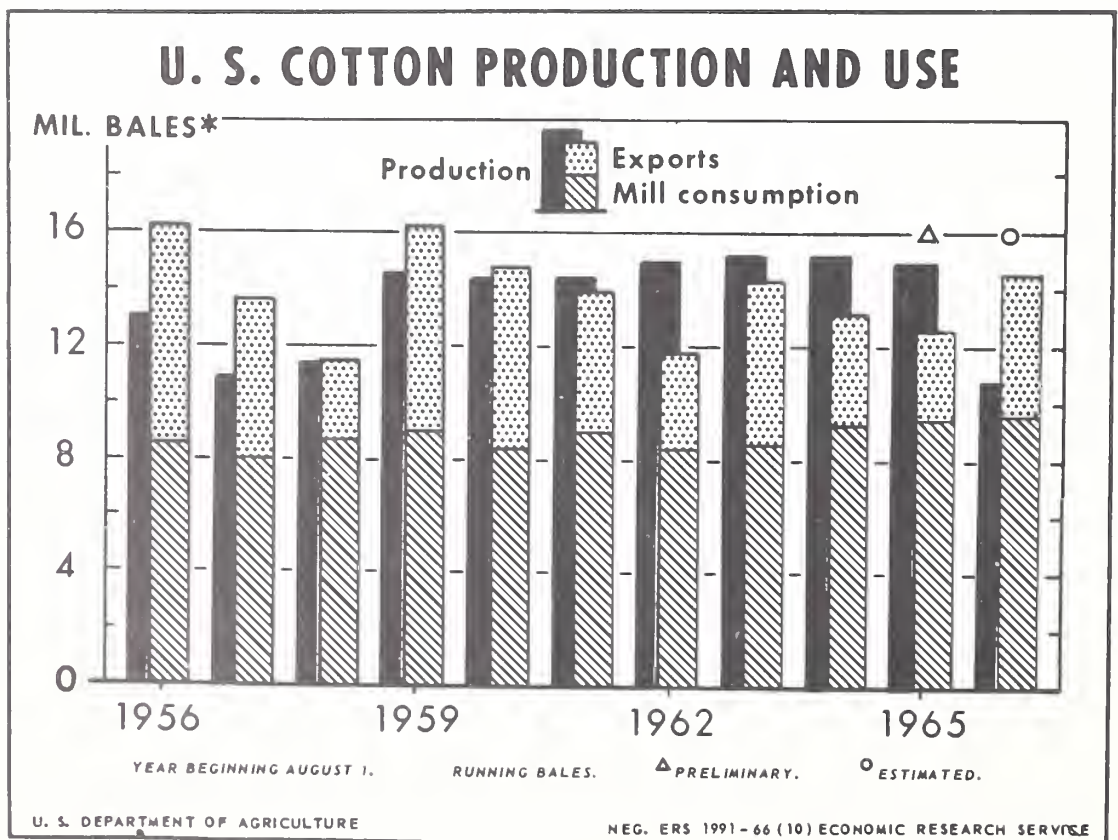


Figure 2

yield--especially with this year's small acreage. Smaller acreage usually encourages greater selectivity in the use of land and more intensive cultivation. However, such practices this year were offset by adverse weather and growing conditions--including heavy insect damage and boll rot.

The long-term uptrend in yields is an increase of about 15 pounds per year. Factors behind this increase include: the use of land better suited to cotton production as well as increased use of fertilizer, insecticides, and herbicides. Also, larger acreage had been planted in "skip-row" patterns in recent years--a practice resulting in higher yields. This year "skip-row" acreage measurements for allotment determinations were brought more nearly in line with production increases due to this practice. Acreage planted in such patterns probably declined.

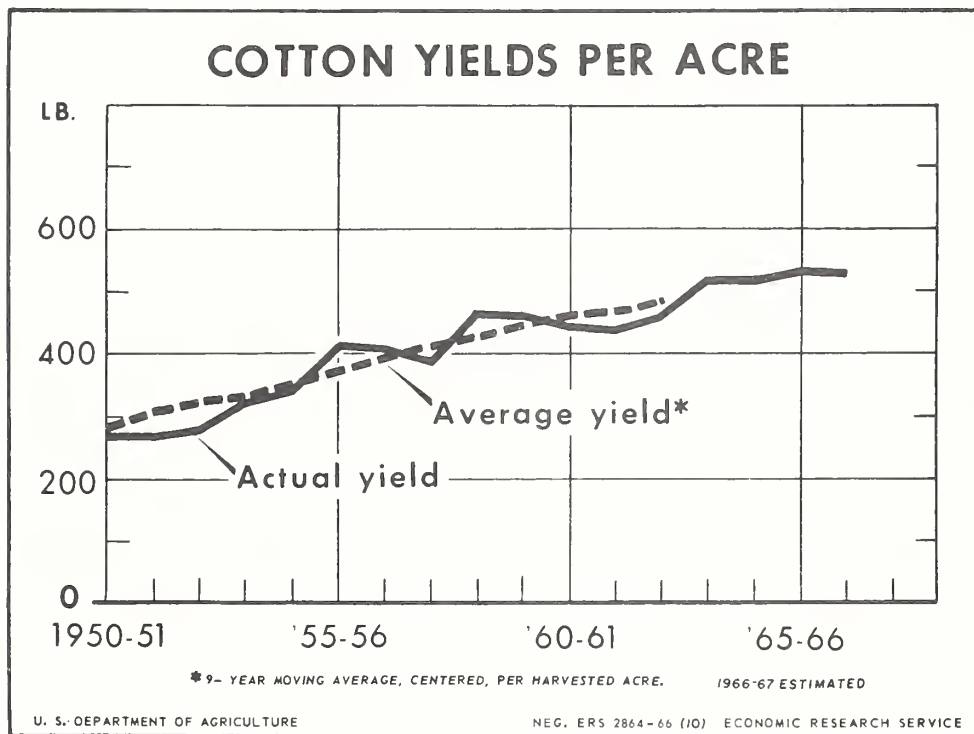


Figure 3

Mill consumption of cotton during the 1966-67 crop year is estimated at 9.6 million bales. This is a further slight increase from last year's large usage and would be the largest since 1950-51. The rate of cotton consumption has been rising since the second quarter of calendar 1964. This rise has resulted from factors which include: (1) lower net costs of upland cotton to domestic users, provided for in legislation enacted in April 1964; (2) an expansion in general economic activity and increasing civilian demand for textile products; (3) some rebuilding of "pipeline" stocks of textiles; and (4) increasing military requirements for cotton textile products.

The above factors are expected to further stimulate cotton consumption this year. The effective price for domestic use is down about 2 cents per pound this year. Military requirements at an annual rate of around 120,000 bales are 20 percent above last year. A slightly higher level of cotton consumption is also indicated this year by the high rate of use in recent months and the high level of unfilled orders for cotton cloth in relationship to inventories of cloth. The rate of cotton consumption in recent months has been 4 to 5 percent above the same months of last year. (See figure 4.) Although the rate of increase in orders has slowed somewhat in recent months, cloth inventories have remained low and the ratio has been around 0.17.

While the rate of use of cotton has been several percent above last year in recent months, the use of competitive fibers--rayon and acetate--has generally remained near year-earlier levels. (See figure 5.) The rate of increase in non-cellulosic staple fibers used on cotton-system spindles has slowed.

Per capita mill consumption of cotton for calendar 1966 is estimated at nearly $23\frac{1}{2}$ pounds--up nearly 2 percent from 1965 and the largest since 1959. Cotton's share of total fiber consumption, however, is expected to show a further slight decline for the year. (See figure 6.) Man-made fiber consumption is expected to total a record high in 1966 because of a sharp rise in the use of non-cellulosic fibers. Per capita consumption of all fibers, estimated at over $46\frac{1}{2}$ pounds, would be up 7 percent from 1965 and the highest since 1943. In terms of total pounds of fibers, 1966 consumption will likely be the largest on record--over 8 percent above the 1965 record.

U.S. cotton exports during the 1966-67 crop year are expected to total about 5 million bales--up sharply from the 2.9 million shipped last year. This estimate is based on an expected sharp rise to a new record high in foreign Free-World cotton consumption--which is expected to offset a further moderate rise in cotton production.

U.S. exports fell sharply during the 1965-66 crop year from a year earlier because record production in foreign Free-World countries continued to narrow the gap between cotton consumption and production in these countries. (See figure 7.) While consumption of cotton has been rising in foreign countries along with corresponding population increases and higher levels of economic activity, sharp advances in the use of man-made fibers have modified the upward trend in cotton consumption. For example, during the past crop year total foreign consumption (including Communist countries) of cotton rose about 0.5 million bales, while man-made fiber consumption increased by the equivalent of 1.4 million bales of cotton. At the same time, production of cotton has trended upward sharply in foreign countries--at a faster rate than has consumption. This production increase has resulted from an expansion in cotton acreage and higher yields. Acreage has responded to the profitability of cotton as a major cash export crop and as a result of Government encouragement in many countries. Yields are trending upward as a result of improved technological and cultural practices, as well as increasing use of water resources and land better suited to cotton production.

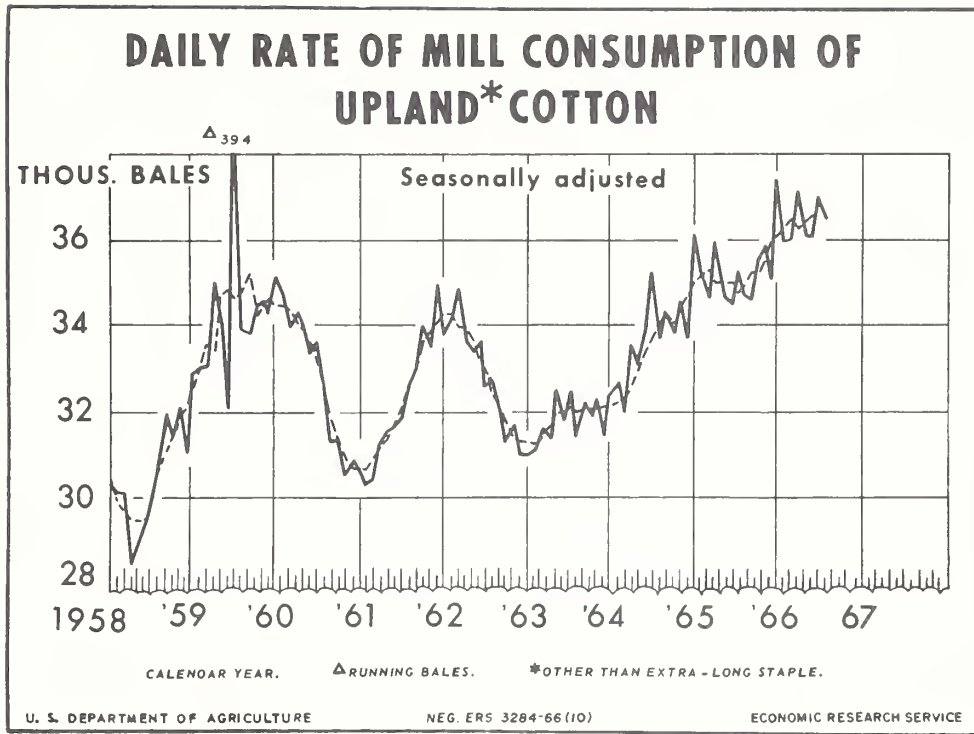


Figure 4

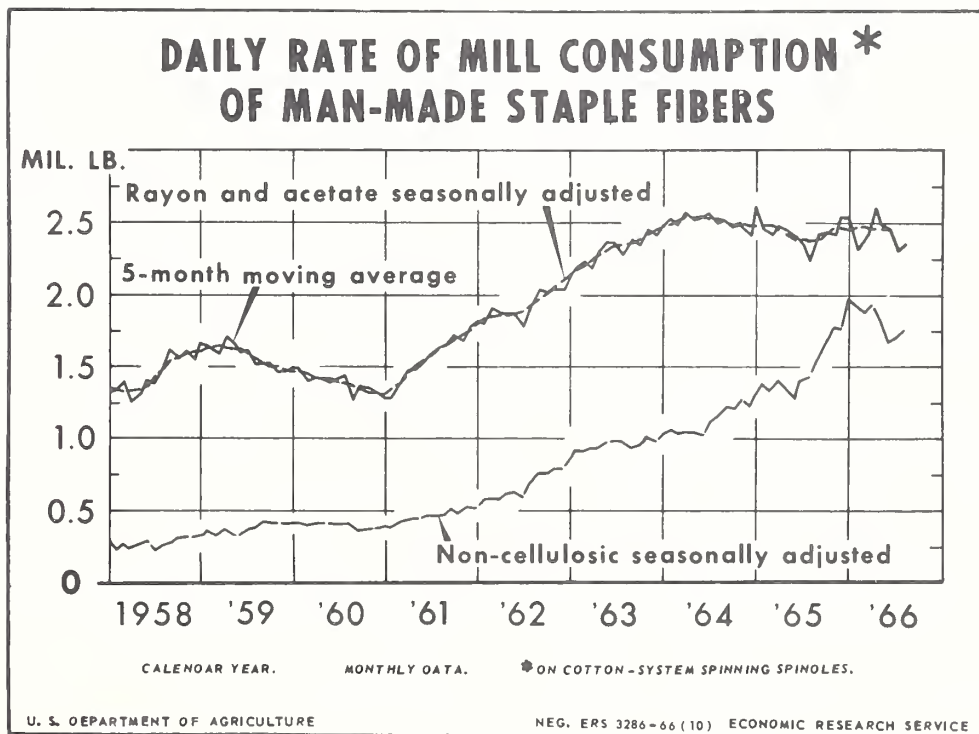


Figure 5

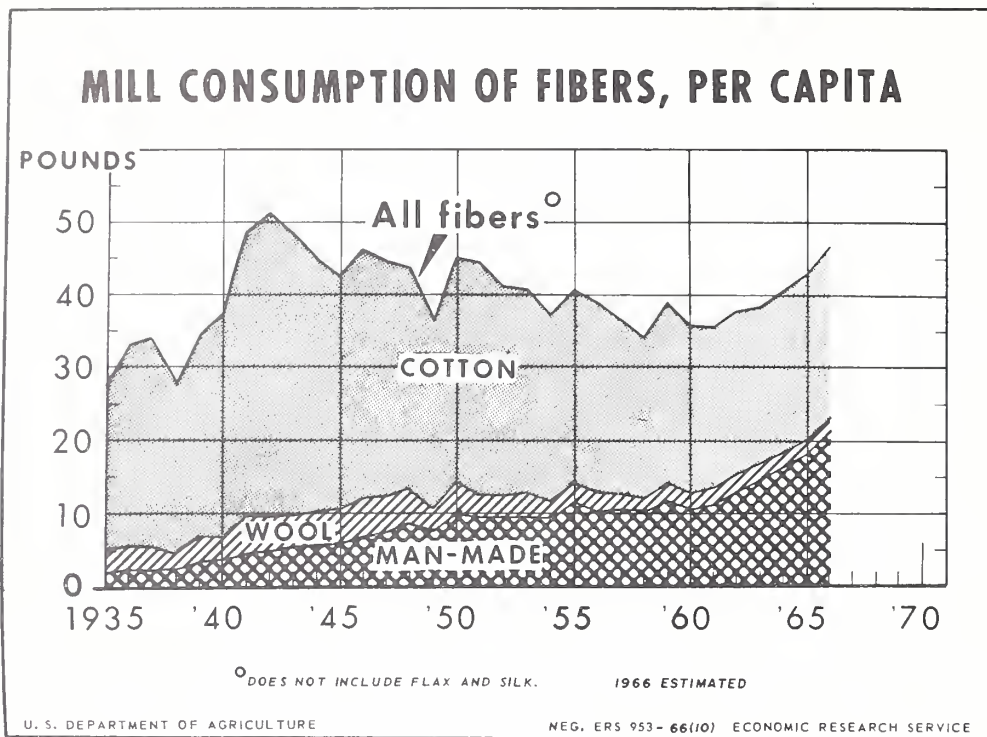


Figure 6

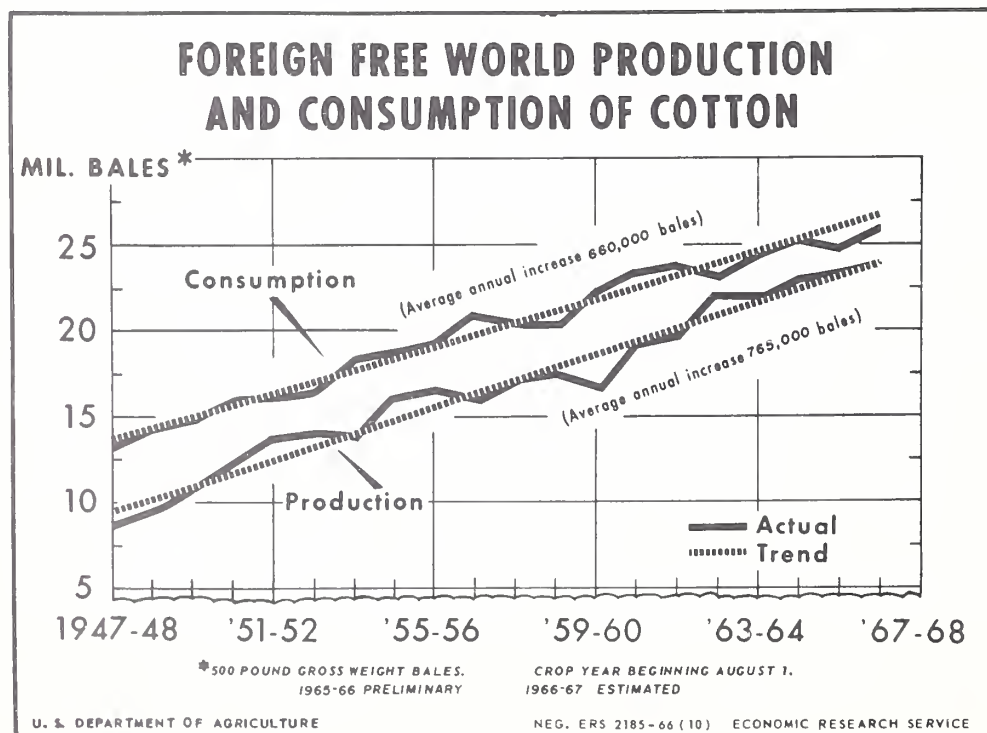


Figure 7

U.S. imports of cotton textiles have been running at record levels during calendar 1966. Large imports reflect increasing civilian and military demand for textile products, and rising cotton textile prices. In July and August, on a cotton equivalent basis, imports have totaled near 100,000 bales of cotton per month. Imports for January-August 1966 totaled 676,000 equivalent bales--nearly 40 percent above the same period in 1965. The sharpest increase in imports was in cotton yarn and cloth--with yarn increasing about 450 percent. Tightness in domestic supplies and rising prices contributed to the sharp rise in yarn and cloth imports. U.S. exports of cotton textiles for the first 8 months of 1966 remained at low levels--partly because of rising prices for domestically-produced cotton textiles.

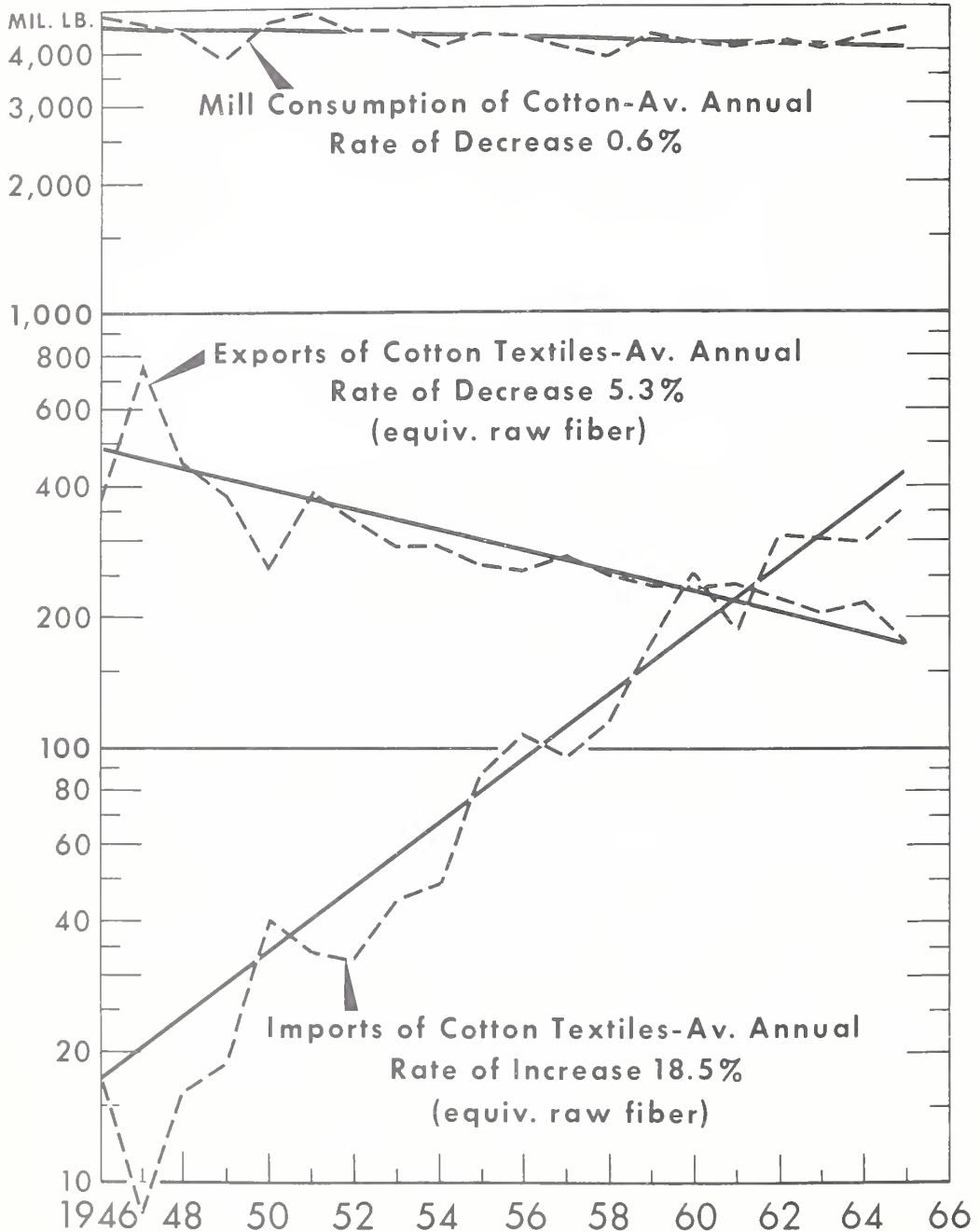
During the past crop year, the import-export trade balance for cotton widened. Net U.S. imports of cotton textile products last year were equivalent to 514,000 bales--up from 321,000 bales the previous year. Thus, domestic consumption of cotton (mill consumption plus the raw cotton equivalent of U.S. cotton textile net imports) rose more than did mill consumption last year. Domestic cotton consumption rose to 10 million bales--up 0.5 million from 1964-65--while mill consumption of 9.5 million bales was up 0.3 million last year.

Since 1946, imports of cotton textiles have increased over 18 percent per year, while exports have dropped 5 percent per year. (See figure 8.) Mill consumption has declined slightly since 1946--0.6 percent per year.

Spot market prices for cotton are down sharply this year because of the change in the price support program. The average spot market price for Middling 1-inch cotton during recent months has averaged slightly more than 22 cents per pound--down about $7\frac{1}{2}$ cents from the same months of last year. This reflects the lower level of price support--21 cents per pound for the 1966 crop--down from 29 cents for the 1965 crop. However, with the elimination of equalization payments of 5.75 cents per pound to mills during the 1966-67 crop year, the effective market price for domestic and export uses is down only about 2 cents per pound.

The average price received by farmers for cotton also reflects the reduced support price this year. The support price for the 1966 crop of upland cotton (average of the crop) is 20.21 cents per pound compared with 28.31 cents for 1965. In addition to the basic price support loans, most producers are receiving direct price support payments and acreage diversion payments.

U.S. POSTWAR TRENDS IN COTTON CONSUMPTION AND COTTON TEXTILE TRADE 1946-65*



* Trade data in raw cotton equivalent pounds

U.S. DEPARTMENT OF AGRICULTURE

NEG ERS 4381-66 (3) ECONOMIC RESEARCH SERVICE

Figure 8

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR DAIRY

Talk by Anthony G. Mathis
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:15 A.M., Wednesday, November 16, 1966

Dairy farmers can look forward to 1967 prices averaging above the 1966 level and income from milk and cream higher than this year's record \$5.6 billion.

On October 14, the U. S. Department of Agriculture announced that the present level of price supports \$4.00 per 100 pounds manufacturing grade milk and 68 cents per pound butterfat in farm-separated cream will continue throughout the next marketing year, ending March 31, 1968. This early announcement was made to give dairy farmers confidence as to prices and to assure adequate supplies for consumers. This action also helps maintain Class I prices in Federal order markets where they are based on the supported prices for manufacturing grade milk.

The \$4.00 price support level ensures that farm milk prices will be higher in the first half of 1967 than in 1966, and for all of 1967 likely will average higher than 1966. The relatively strong commercial demand for the limited supply of milk and higher support prices pushed farm milk prices up sharply this year. In January-February the prices farmers received for milk averaged 28 cents above a year earlier. By October milk prices were 88 cents higher and a record high for the month. Prices for 1966 likely will average about \$4.85 per 100 pounds, 60 cents more than in 1965, and close to the \$4.88 record in 1948. This year's gains were larger for manufacturing grade milk than for fluid use, because fluid markets, with their higher Class I prices, maintained supplies by drawing on manufacturing milk supplies. Manufacturing grade milk prices averaged \$4.44 per 100 pounds in October, 91 cents more than in October 1965; for all 1966 they likely will average about \$3.95, about 60 cents above 1965.

Farm marketings of milk and cream in 1967 are expected to be up from 1966 because of rising milk output and the long-time trend toward marketing a larger proportion of output. Therefore, with increases both in marketings and in average prices, cash receipts for 1967 likely will push above the \$5.6 billion record expected for 1966. Increases in feed costs and farm wages are raising the cost of producing milk. However, farm prices for milk are the highest in a decade. The \$4.00 manufacturing milk support level--89½ percent of the March 1966 parity equivalent price--is very near the top of the 75 to 90 percent range at which prices must be supported according to the Agricultural Act of 1949.

In 1967 milk production is expected to rise moderately from the 121 $\frac{1}{2}$ to 122 billion pounds anticipated for 1966. This year, milk output will total about 3 percent under the 125.1 billion of 1965. The drop is due to a record rate of decline in cow numbers and a low rate of gain in output per cow. Major reasons for the decline in cow numbers have been: (1) Favorable prices in farm enterprises, especially livestock, that are alternatives for dairying; (2) off-farm opportunities for dairy farmers and labor as national employment expanded; (3) effects of the 5-year drought in the Northeast.

Beef-cattle prices increased sharply after April 1965 and levels were maintained in 1966, while milk prices stayed relatively low until the second half of this year. Together with improved off-farm opportunities, higher beef-cattle prices caused farmers to move out of dairying and cull herds heavily. In 1967 a strong beef-cattle market and continued off-farm employment opportunities likely will cause cow numbers to continue downward. However, improved dairy prices in 1966 and 1967 are expected to slow the decline in cow numbers from the 5-6 percent 1965-66 rate, to some 3 to 4 percent. This compares with the 2 $\frac{1}{2}$ percent long-time downtrend.

In mid-1965, milk production started dropping below the 1964 levels. By February 1966, output was 6 percent below a year earlier. Since then, production gradually has moved up to year-earlier levels, and in November and December probably will surpass 1965 output for those months. The output decline in 1965 centered in Midwestern States; this year milk production also is down in Northeastern and Mountain States though the decline continues heaviest in the Midwest.

Milk per cow last winter (December-February) showed no gain from a year earlier; for the first half of 1966 the increase was less than 1 $\frac{1}{2}$ percent compared with the 3 percent average rise. In June-August, however, output per cow was around 3 $\frac{1}{2}$ percent above a year earlier and in September reached 5 percent higher. Prices for milk likely will be above 1966 levels in first half of 1967 and the milk-feed price ratio probably will be averaging close to this year's record highs. These conditions suggest that grain and concentrate feeding will rise in 1967 and output per cow may gain more than average during the 1966-67 winter feeding period.

Sales of milk and dairy products (commercial disappearance) during 1966 is expected to increase a little less than the 1 $\frac{1}{2}$ billion pounds milk equivalent (fat solids basis) in 1965. Retail price increases during the last half of 1966 are slowing gains in commercial disappearance. January-July sales of fresh whole milk in 68 Federal order and 9 State markets increased about $\frac{1}{2}$ of 1 percent from a year earlier in 1966 compared with a gain of 1.2 percent in 1965. This slow down in retail sales apparently is largely a reaction to higher retail prices and increased use of skim milk and low-fat fluid items. Skim milk and low fat product use rose about 10 percent from a year earlier, bringing January-July sales of all fluid products--product weight basis--up 1.8 percent. In 1967, continued high levels of retail prices may depress per capita commercial use of dairy products and total commercial use likely will gain less than in 1966.

On a total milk solids basis, per capita milk and dairy product sales---commercial disappearance---are rising to an estimated 497 pounds milk equivalent from 493 pounds in 1966. On the same basis, per capita consumption is falling to 515 pounds from 520 pounds in 1965.

This year domestic consumption of milk in all dairy products is down about 1 percent from the 122.3 billion pounds in 1965 because of low USDA donations of butter and cheese for use in school lunch and other welfare programs---about a billion pounds milk equivalent, less than one-fourth of the 4.3 billion in 1965.

In 1967, total consumption may gain slightly because of rising population. Despite increasing per capita use of cheese and frozen products, consumption of dairy products per person likely will decline again in 1967. Per capita consumption of fluid products is falling to about 300 pounds milk equivalent (fat solids basis) from 302 pounds in 1965 and is expected to decline further in 1967. Most of this decline is due to lower use of home-produced milk on farms as increased numbers of farmers sold their dairy herds. However, this year, fluid products sales (product pounds) are estimated about 1 percent higher than the 308 pounds per person in 1965.

With marketings dropping and commercial disappearance rising, USDA likely will remove less than a billion pounds milk equivalent of butter and cheese from the market in 1966---the lowest level since 1952, and down from 5.7 billion pounds in 1965. This total includes purchases under the price support program and under Section 709 of the Food and Agriculture Act of 1965. CCC removals in 1967 probably will be larger, but still low relative to the 1961-64 levels. January-October nonfat dry milk removals and Payment-in-Kind exports were about 30 percent of a year earlier and will total less than half the 1.1 billion pounds of 1965.

At year-end, commercial stocks may be up slightly from last December's low 3.9 billion pounds but, with negligible USDA holdings, total dairy product stocks likely will total less than the 4.5 billion pounds of last year, and likely will continue low at year-end 1967.

Lower U. S. supplies and increased output in other countries are reducing U. S. dairy product exports this year to about one-half the 1.8 billion pounds milk equivalent and 863 million pounds nonfat dry milk of 1965. Dairy products exports under various USDA programs in 1967 probably also will be limited by available supplies.

Imports of dairy products into the United States are expected to reach 2.5 billion pounds milk equivalent, up from 0.9 billion in 1965. Most of the increase is due to rising imports of nonquota products, especially butterfat/sugar mixtures, which last year entered in only small quantities. Increasing world milk production, the relatively low level of U. S. milk output, and U. S. prices which are well above subsidized export prices of many countries, encourage exporters to seek to market dairy products here.

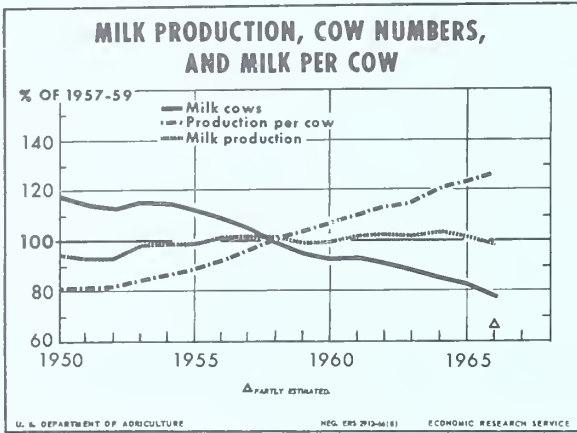


Figure 1

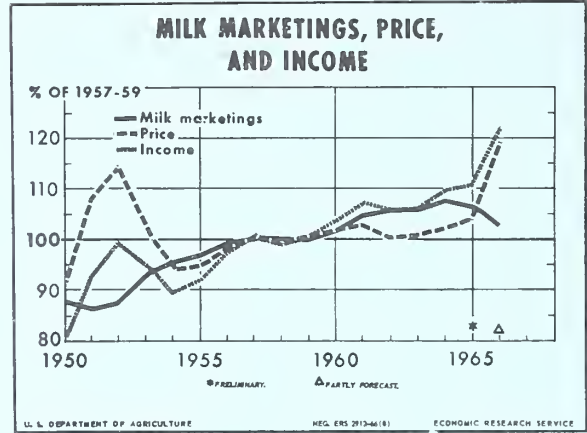


Figure 2

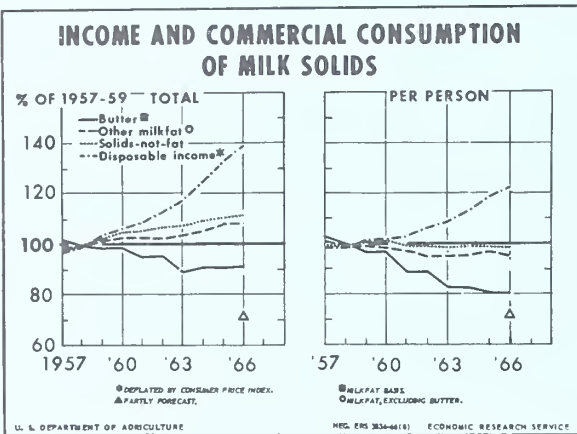


Figure 3

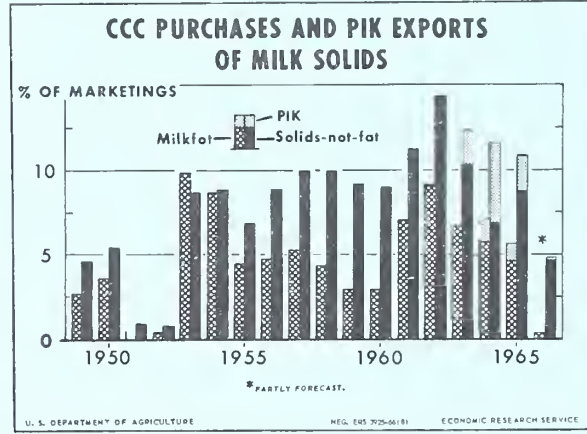


Figure 4

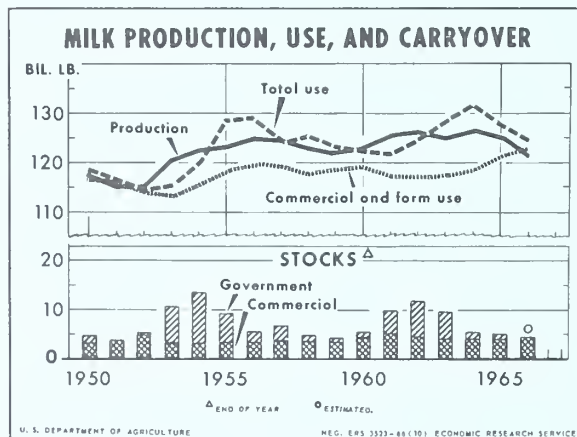


Figure 5

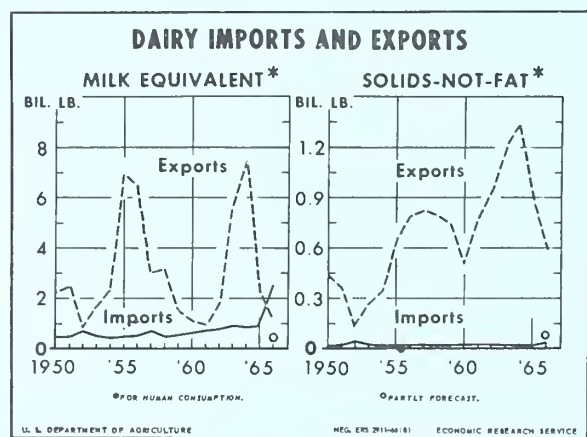


Figure 6

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1967

Talk by Martin A. Blum
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 2:45 P. M., Wednesday, November 16, 1966

General Supply and Demand Prospects

Prospective supplies of fresh and processed fruits from this fall to mid-1967 are moderately larger than in the same period of 1965-66. Substantial increases are likely in fresh and processed oranges. Supplies of canned deciduous fruits are expected to be up moderately from last year. Total supplies of dried fruits and edible tree nuts may approximate 1965-66 levels. Consumer demand for fresh and processed fruits, supported by a continuing growth in income and population is expected to expand further.

Citrus Fruit

Early-season prospects point to a 1966-67 citrus fruit crop substantially above the production in 1965-66 and the largest of record. Most of the increase is expected to take place in Florida--especially in the production of oranges--where groves have shown rapid recovery from the effects of the disastrous December 1962 freeze and the new plantings of recent years are beginning to bear fruit in volume. Further increases in citrus production are in prospect in the years ahead especially in Florida and Texas as more new trees start bearing. Weather, of course, will be an important factor influencing year-to-year changes in production.

The 1966-67 early, midseason and Navel orange crop according to the first forecast (made October 1) will be 89.6 million boxes--23 percent above 1965-66 and 51 percent above the 1960-64 average. Production in Texas, as well as in Florida, will be up sharply from last season. But in California and Arizona, prospects are down considerably from 1965-66. Florida is by far the leading producer, accounting for 82 percent of the new crop, followed by California with 16 percent. Texas and Arizona production represents only 2 percent of the 1966-67 output of early, midseason and Navel varieties.

Early season prospects for Florida Valencia oranges also point to a crop sharply above 1965-66 and the largest since the record set in 1961-62. Production in Arizona and Texas, relatively minor producers, is also up substantially from last season. The first forecast of the California Valencia crop will be released in the December 9 crop report. Early-season indications point to a good crop.

The 1966-67 grapefruit crop (excluding the usual small summer crop in California) is expected to be moderately above 1965-66 and considerably above average. In Florida, the principal grapefruit-producing State, a crop considerably larger than last season's output is indicated. The prospective crops of all varietal groups--white seedless, pink seedless and other (seeded) varieties--are up significantly from last year. Production prospects for grapefruit in Texas are up sharply from a year ago, up slightly for Desert Valley fruit in California, but down considerably in Arizona because of poor fruit set in many groves.

Among other citrus fruits, prospective production of tangerines, tangelos and limes--all produced in Florida--is much larger than last season. In Arizona a substantially larger lemon crop is forecast.

Fresh market movement of the 1966-67 Florida citrus crop started later than last season and was still increasing in early November. Both quantities marketed fresh and for processing are expected to be substantially larger than in 1965-66. In view of the expected record citrus crop, price prospects for oranges and grapefruit through this winter do not appear as favorable as they were during this period in 1965-66. Although prices declined as usual with increasing shipments, the season had not advanced sufficiently by early November to establish price levels for this year.

The 1965-66 pack of Florida frozen orange concentrate was about a fifth below the 1964-65 output mainly because of a higher concentration in the finished product, a tightening by the industry of standards governing processing procedures, and lower yielding fruit. The smaller 1965-66 pack, accompanied by an improved movement to distributive channels, together, more than offset the near record-large stocks on hand at the beginning of last season. Supplies of frozen concentrate as well as canned orange products at the start of the 1966-67 season are considerably lighter than a year ago and should help ease the burden of marketing the large new orange crop. Consumption of chilled orange juice has also shown substantial gains during the past season and further increases in usage of oranges for this product is anticipated.

Output of canned single-strength grapefruit juice was up substantially in 1965-66. Although movement during the past season was good, stocks on hand this fall are up sharply from a year earlier. For the 1966-67 season, the price effects of increased production and larger carryover of processed grapefruit items will probably outweigh the impact of continued strong consumer and export demand.

Deciduous Fruit

Total production of deciduous fruits is expected to continue a slow upward trend over the next few years as a result of increased bearing acreages of many fruits, improved varieties, and better cultural methods. Production, especially in the Eastern and Central States, suffered in 1966 as a result of spring freezes and summer drought conditions in many areas. But total production in 1967 may

not be greatly different from 1966 when weather favored the growth, development and harvest of some important fruit crops in the Pacific Coast States.

Deciduous fruit production in 1966, as estimated October 1 was about 7 percent below 1965 but still 5 percent above average. Most of the reduction from last year was due to smaller crops of grapes, apples, plums and prunes but the production of apricots, sour cherries and peaches was also down. Larger crops of pears, sweet cherries, and cranberries, were not sufficient to offset the smaller crops of other fruits. Grower prices for most 1966 fruit crops were moderately to substantially above 1965 levels.

Most 1966 deciduous fruit crops have already been marketed by growers except for such crops as apples, pears, grapes and cranberries which can be held in cold storage for sale later in the season. Year-end cold storage stocks of apples are expected to be larger in the Western States but smaller in the Central and Eastern States than on January 1, 1966. Year-end stocks of pears and cranberries may be up somewhat but grape holdings will likely be below the level of a year ago.

Supplies of fresh strawberries in 1967 will largely depend upon prospective acreage for harvest, which is down a little from 1966, and weather and market conditions for the new crop.

The 1966-67 pack of canned deciduous fruits probably will be moderately larger than last season's output primarily because of increases in such important items as canned peaches, pears, and fruit cocktail--the result of substantially larger 1966 crops of California Clingstone peaches and Bartlett pears.

Output of frozen deciduous fruits may be smaller than in 1965-66 primarily because of a sharp reduction in the pack of red tart cherries in the Great Lakes States where unfavorable weather this season drastically curtailed the crop. But the quantity of strawberries and other berries normally frozen in substantial quantities may be up somewhat from last season.

Production of dried fruits in 1966-67 is expected to be considerably smaller than in 1965-66 because of a substantial decrease in dried prunes and a moderate reduction in raisins--two items which account for most of the U. S. dried fruit pack. Offsetting, are increased carryover stocks, especially of raisins, so total supplies in 1966-67 may not be greatly different from 1965-66.

Edible Tree Nuts

The 1966 crop of 4 edible tree nuts (almonds, filberts, pecans and walnuts) is moderately smaller than the 1965 crop but materially above average. The decrease in this season's crop is due entirely to pecans. Production of almonds, filberts and walnuts is substantially above both last year and average. Prices in 1966-67 are expected to be somewhat higher for pecans, largely unchanged for almonds and walnuts, and somewhat lower for filberts.

The United States is a net importer of edible tree nuts as a result of heavy importations of kinds of nuts not grown domestically, especially cashews and Brazil nuts. Imports of cashews, the leader, will likely be somewhat smaller in 1966-67 than in recent years because of reduced foreign supplies. But U. S. imports of Brazil nuts are expected to increase substantially from the relatively low levels of last season due to a much larger crop in Brazil this year.

Export Outlook

Export prospects for 1966-67 vary among major fruits but movement to foreign markets, in total, may be somewhat smaller than in 1965-66 despite increased supplies of some important export items and continuing favorable demand in importing countries. The volume of U. S. exports may be tempered by anticipated larger foreign crops of many fruits regularly exported by the U. S. in substantial quantities.

Increased supplies of Mediterranean citrus fruits are expected to continue during the coming season. Even so, with larger U. S. supplies, the volume of exports of fresh oranges and grapefruit may be up moderately, primary to Canada, and that of lemon exports will likely be at least as good as the favorable movement of last season. Exports of processed citrus juices may increase moderately due to anticipated larger supplies of quality products offered at attractive prices. For deciduous fruits, the volume of fresh apple exports probably will not be quite as heavy as the record quantity in 1965-66, due to increased production in Western Europe. Prospects are for somewhat larger exports of canned fruits primarily because of substantially increased supplies of canned peaches and fruit cocktail--leading export items. But dried fruit exports may not match the levels of last season, mainly because of sharply reduced supplies of dried prunes this year. Tree nut exports probably will not differ greatly from the large 1965-66 volume due to increased foreign production of competing nuts.

(X-X)
UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR VEGETABLES AND POTATOES

Talk by Donald S. Kuryloski
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 1:30 P.M., Wednesday, November 16, 1966

GENERAL SUPPLY AND DEMAND PROSPECTS

Supplies of canned and frozen vegetables appear to be about the same as last season. There is about the same amount of potatoes for fall and winter marketing as a year ago, but sweetpotato production is down materially. Many more dry beans are available this season due to a large crop. However, dry pea production was down and indicated supplies are light.

The general economy continues to grow at a fast pace and prospects for next year are favorable. Consumer incomes likely will be higher in 1967, and with population increasing, a sustained strong domestic demand for vegetables is anticipated.

Export prospects this season are good. Trade with Canada, our leading export market for vegetables, is expected to continue the steady uptrend of the last decade. And because of recent improvements in marketing techniques, there are good possibilities of moving more fresh vegetables to Europe. Foreign demand for dry beans probably will be strong, and with U.S. supplies up and quality good, bean exports are expected to show a sharp rise. A strong demand for dry peas also is likely but export volume may be curtailed because of small U.S. supplies and high prices.

PROCESSED VEGETABLES

Supplies of canned vegetables this season are about the same as the moderate volume available last season. The canned pack was larger than in 1965 but carryover stocks were relatively light. Frozen vegetable supplies in total also are close to those of last season with a big reduction in green peas offsetting increases in most other items.

Markets for processed vegetables have been relatively strong during the past few years. Trade demand was especially strong last season and prices for canned and frozen vegetables averaged the highest in several decades. This stimulated plans for big packs in 1966. Plantings of all principal processing crops were increased, and with normal growing conditions, output would have been much above last year and record large. But because of unfavorable weather in the eastern two-thirds of the country, total processing tonnage was only

moderately larger than in 1965. Output of spinach was up sharply, and substantial gains occurred in production of lima beans, beets, and sweet corn. Tomato tonnage was up moderately. But snap bean, kraut cabbage, and green pea crops were smaller than last year.

Among the major canned items, there is more sweet corn this year than last, though the supply is still a little below average. Supplies of snap beans, lima beans, beets, tomatoes, and tomato products are about the same as last season. But supplies of green peas, asparagus, spinach, and kraut are smaller.

Frozen vegetable supplies are about the same as last year with fewer green peas but increased supplies of most other items. Sweet corn and spinach appear to be the only frozen vegetables in particularly heavy supply.

Markets for processed vegetables are expected to be strong this season. Although prices for several canned items declined during early summer in anticipation of large packs, prices moved back up as the hot, dry weather took its toll. In early fall, f.o.b. cannery prices for all canned items were the same or higher than a year earlier. Frozen vegetable prices generally are holding close to high year earlier levels. For the 1966-67 season as a whole, prices for both canned and frozen vegetables are expected to average the same to slightly higher than last season.

Looking ahead a little, canners and freezers as a group likely will plan for bigger packs in 1967. This doesn't mean processors will necessarily seek more acreage since average yields on this year's plantings would have provided abundant supplies. But growers generally will be in a strong bargaining position during the contracting season next winter and spring.

DRY BEANS AND PEAS

Dry bean supplies this season are much larger than the short supply last season, and moderately above the recent 5-year average. Carryover stocks at the beginning of the season were the smallest in many years. But growers increased acreage, yields were better, and 1966 production was sharply above that in 1965.

Production data by class of bean are not yet available. However, production by area indicates that supplies of both white and colored beans are considerably larger than the light supplies of last season, and above average. Total supplies of white beans appear to be more than a third above a year ago, with sharp increases in supplies of both pea beans and Great Northerns. Colored bean supplies probably are up about 15 percent.

Export demand for U.S. beans is expected to be strong. Since supplies of the preferred export classes are large and quality is better than in several years, the volume moving to foreign markets likely will be up sharply from last season. Domestic use also is expected to be considerably larger this season.

The national average support price for 1966-crop beans is \$6.33 per hundredweight--up 1 cent per hundredweight from last year only because of a change in class weights. Support rates for individual classes are unchanged. Although a strong demand is anticipated for beans this season, supplies are relatively large. Prices in early fall are well below the high prices of a year earlier, and for the season are expected to average materially below those of last season.

Dry pea supplies are much smaller than the heavy supply of last season. Both carryover stocks and production were down. Domestic use is expected to be smaller this season, mainly because of curtailed Government purchase and donation activity. Although European demand probably will be strong, exports will be down because of the considerably higher prices and smaller supply.

POTATOES AND SWEETPOTATOES

Potato supplies for marketing this fall and winter are close to those of a year ago. Late-summer output was slightly smaller than in 1965, as a result of the summer drought. But fall-crop production, estimated at 216 million hundredweight on October 1, was up 1 percent, with larger crops in the East and West offsetting a moderate reduction in the Central States.

Smaller production is indicated in all major Central States this year. Wisconsin's crop is down slightly, and substantially fewer potatoes are in prospect in Michigan and in the Red River Valley of Minnesota-North Dakota. Maine and Upstate New York accounted for most of the increase in Eastern tonnage. Acreage and yields are up in both States, and materially larger crops are expected. Pennsylvania output was light due to drought but production in all other eastern areas was about the same as last year. In the West, Washington growers expect a record output, and slight to moderate increases are likely in Oregon, Colorado, and Montana. But growing conditions were often unfavorable in Idaho this year, and despite a lot more acres, prospective production is down from last year. The crop also was much later than usual and cold weather in mid-October caused some damage.

Although supplies are large, market prospects are favorable into mid-winter. The geographic distribution of supply is only a little more even than a year ago since Eastern supplies still are a bit below average. And potato food processing likely will again be large. Use for potato chips is expected to increase about in line with the trend of recent years--up 8 percent annually on the average. Current stocks of frozen and dehydrated potato products are much larger than a year ago. But consumer use of these items is rising, industry capacity is greater, and total volume of raw potatoes moving to these outlets probably will be up from a year earlier. With demand strong, prices during the next 2 to 3 months are expected to average moderately above year earlier levels.

Sweetpotato supplies are substantially smaller than last season. Partly in response to low prices for their 1965 crop, growers reduced acreage this year, and yields are expected to be lower. Prospective output, at 16 million

hundredweight is 13 percent smaller than in 1965 but about average. Smaller supplies are indicated in all regions. Eastern production is off materially with a particularly large reduction in the Middle Atlantic States because of drought. Total output is down 15 percent in the Central Region; Louisiana, the leading producer, has a fifth fewer sweetpotatoes this year.

Markets so far have been much stronger than a year earlier. Although there may be some seasonal decline as marketings reach peak volume during the fall, prices are expected to remain above those of last fall. And for the season, prices for 1966-crop sweetpotatoes are expected to average materially above the low levels of last season.

United States Department of Agriculture
Economic Research Service

OUTLOOK FOR POULTRY AND EGGS IN 1967

Talk by Herman Bluestone

Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C. 10:50 A.M., Wednesday, November 16, 1966

Increased production of eggs and poultry is in prospect for 1967. Egg production, which this year totaled the same as last year, may show the largest rise in more than a decade. The increase likely will be large enough to temporarily reverse the 15-year downtrend in per capita egg consumption. Broiler output likely will continue increasing about as fast as in 1965 and 1966--5 to 10 percent. Growth in turkey production in 1967 probably will not match the 11 percent gain in 1966, but should be in line with the average increase of the 2 preceding years--or around 5 percent.

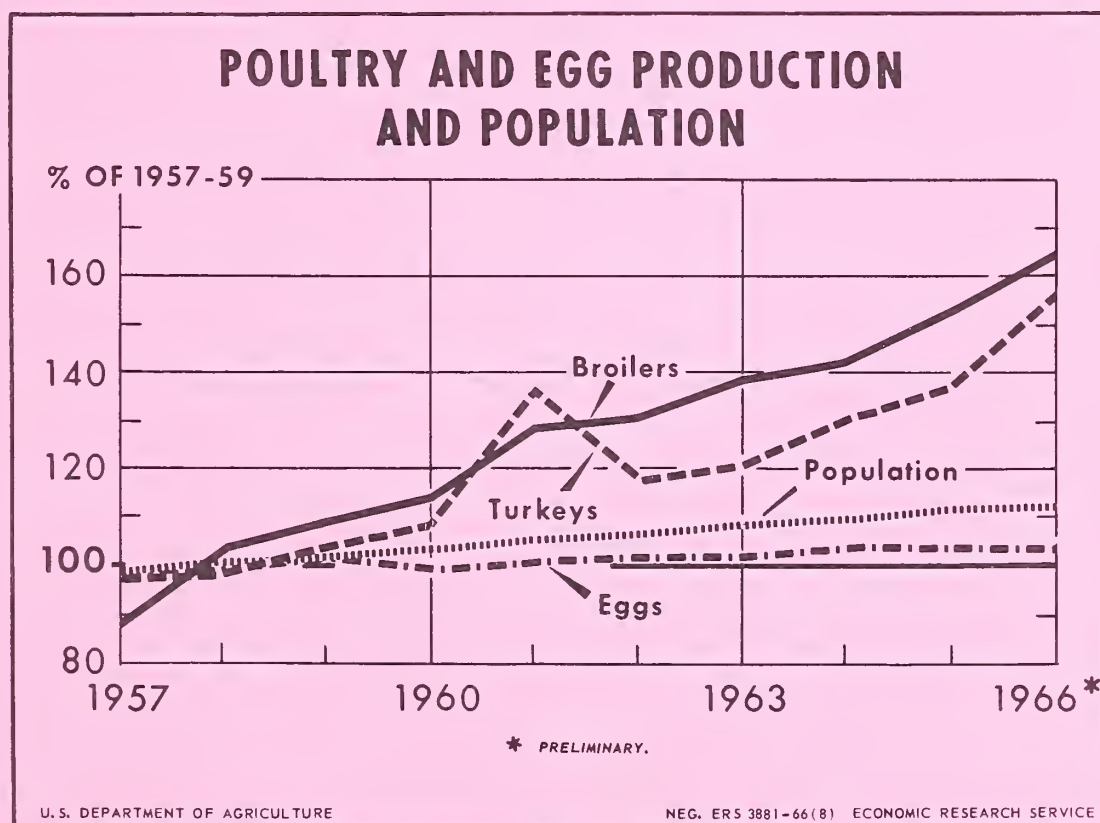


Figure 1

In expanding output, poultrymen are responding to an extended period of favorable prices. Until recently, and except for some earlier weakness last fall, broiler prices had been rising for more than 2 years. Turkey prices also rose in 1965 and 1966. Strength in 1965 egg prices didn't develop until the second half of the year, but in 1966 they have averaged the highest since 1958.

Price improvement for poultry was primarily the result of rapidly increasing consumer incomes, particularly in the low income groups, reduced supplies of red meat and increased military takings. The price rise for eggs also reflected smaller egg supplies during the first 8 months of 1966 compared with a year earlier.

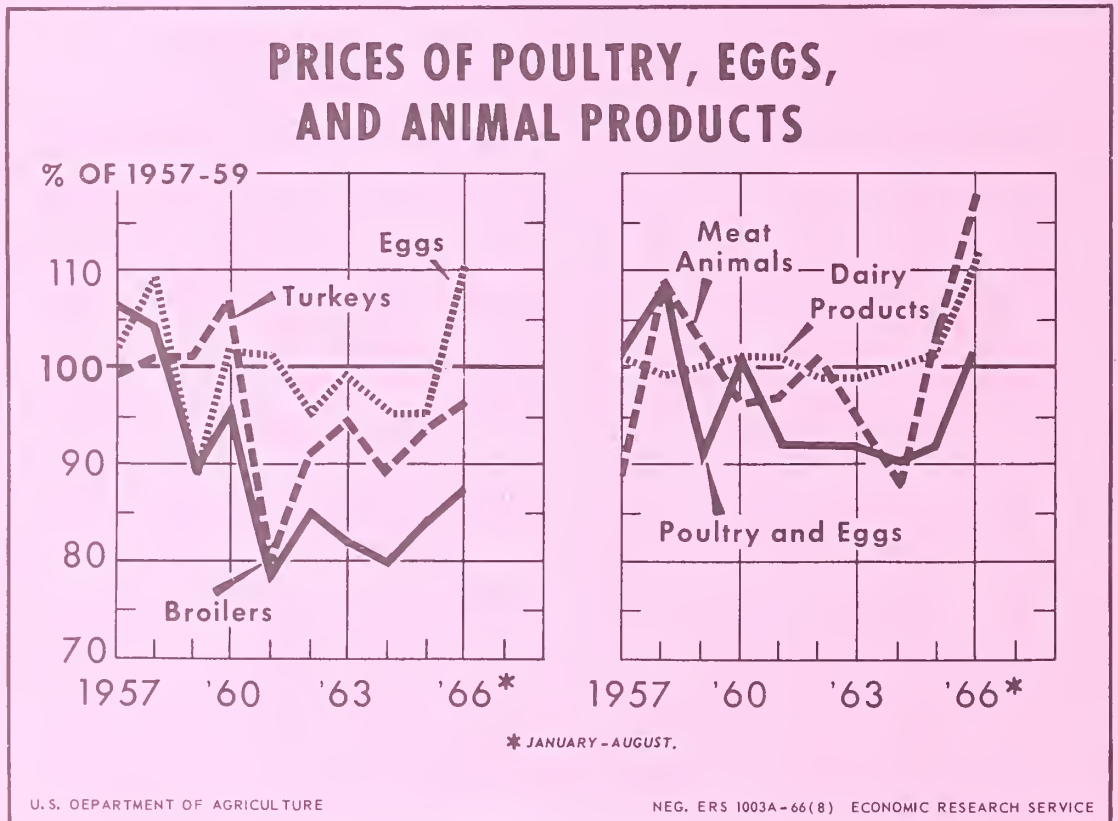


Figure 2

However, in recent months prices for a number high protein foods--broilers, eggs, pork and beef--have declined. Combined production of all these foods now appears to be increasing more rapidly than demand. This trend is expected to continue into early 1967 as expansion in total high protein food production gather momentum. Consequently, prices for poultry and eggs likely will average below a year earlier at least during the first half of 1967.

The lower prices could lead to some further pick up in exports of poultry and poultry products. This year, the strong domestic demand tended to hold back expansion in poultry exports.

In the second half of 1967, growth in total production of animal products may slow down as the uptrend in poultry and egg production is dampened by the lower prices and higher production costs (especially higher feed costs) that are likely to prevail over the next 5 to 7 months. If beef production declines sharply after midyear, as expected, total per capita supplies of high protein foods may actually be smaller than a year ago in the second half of 1967. Thus, prices for poultry and eggs probably will begin 1967 much below the 1966 level but likely will strengthen later in the year.

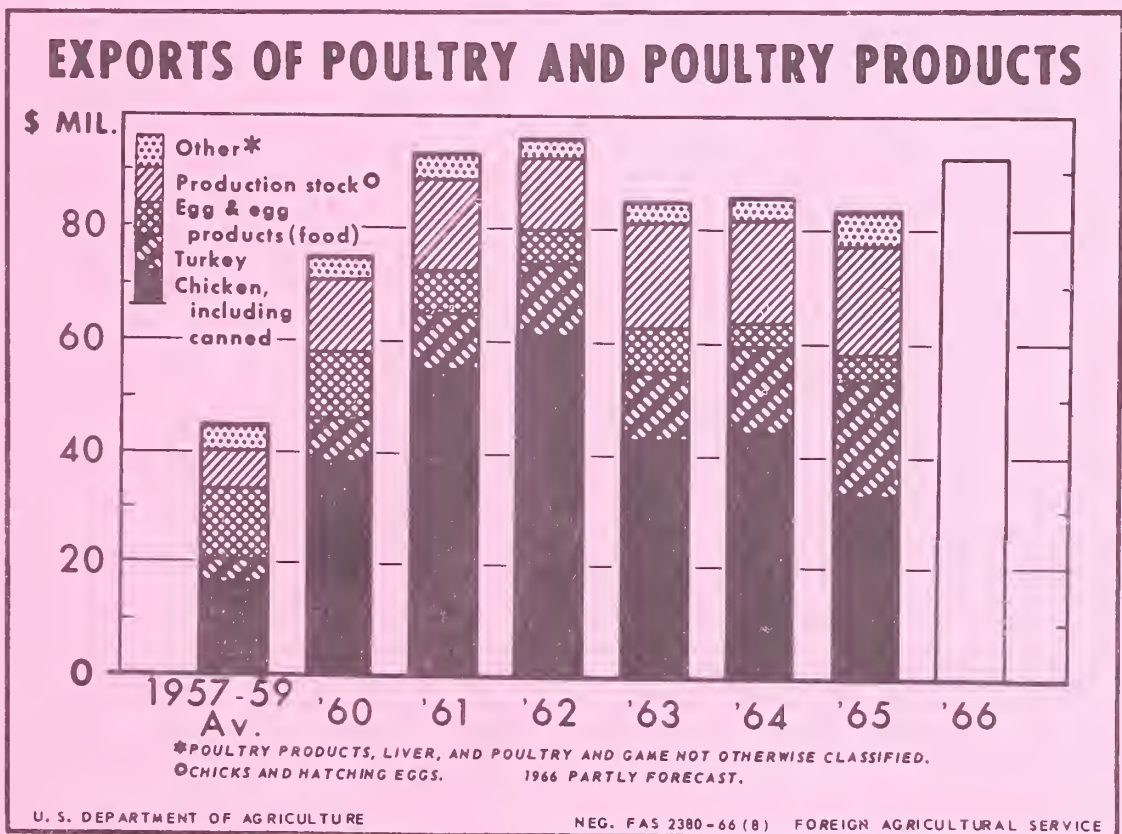


Figure 3

Egg production in 1967 may exceed the 182 million cases in 1966 by around 3 percent. Output during the first quarter of 1967 could be up as much as 5 percent above a year earlier, barring unusually severe weather.

The increase in egg production will result from the buildup now underway in laying flocks. Not only will the influx of new pullets enlarge the number of layers in coming months but, since pullets are more productive than hens, it likely will bring about a larger than average improvement in the rate of lay in 1967, especially during the first quarter of the year. In 1961-65, the rate of lay increased about 1 percent per year.

At the beginning of October, 386 million potential layers on farms were 4 percent more than on that date last year. Of this total, 58 percent were pullets, up from 52 percent on October 1, 1965. Most of the gain from a year earlier in potential layers should carry through to the early 1967 number of actual layers, and the record large hatches of replacement chicks of recent months probably will keep the Nation's flock larger and younger than a year earlier--at least through next summer.

Even if the hatch of replacement chicks were reduced sharply below a year earlier next spring, this would not begin to reverse the uptrend in egg production until the fourth quarter of 1967.

U. S. farm egg prices declined to 41.1 cents per dozen in mid-October from the mid-September peak of 42.5 cents, as egg production rose more than seasonally. The October price, however, was still 4.1 cents above a year earlier.

The uptrend in production and the downtrend in prices are expected to continue over the next 6 to 7 months. Egg prices to producers during the first quarter of 1967 are likely to average much below current levels--perhaps more than 5 cents per dozen below the relatively high prices of January-March 1966.

If egg production expands as expected, egg prices could run below the 1966 level through 1967, although the difference probably would narrow as the year progressed.

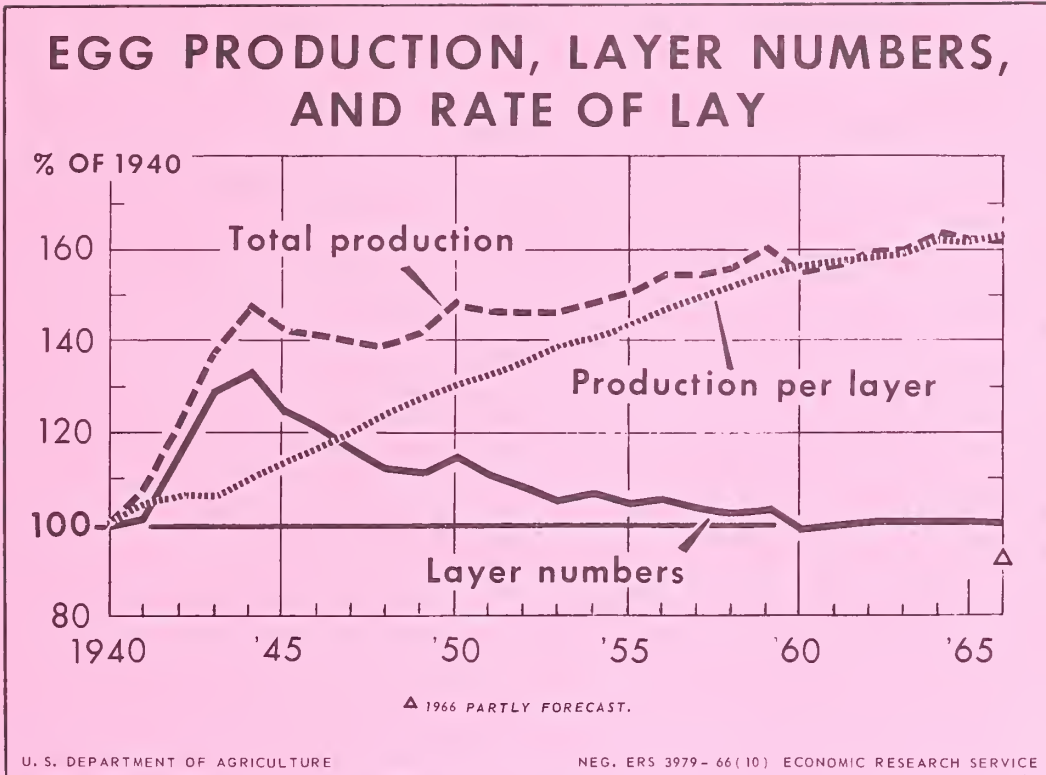


Figure 4

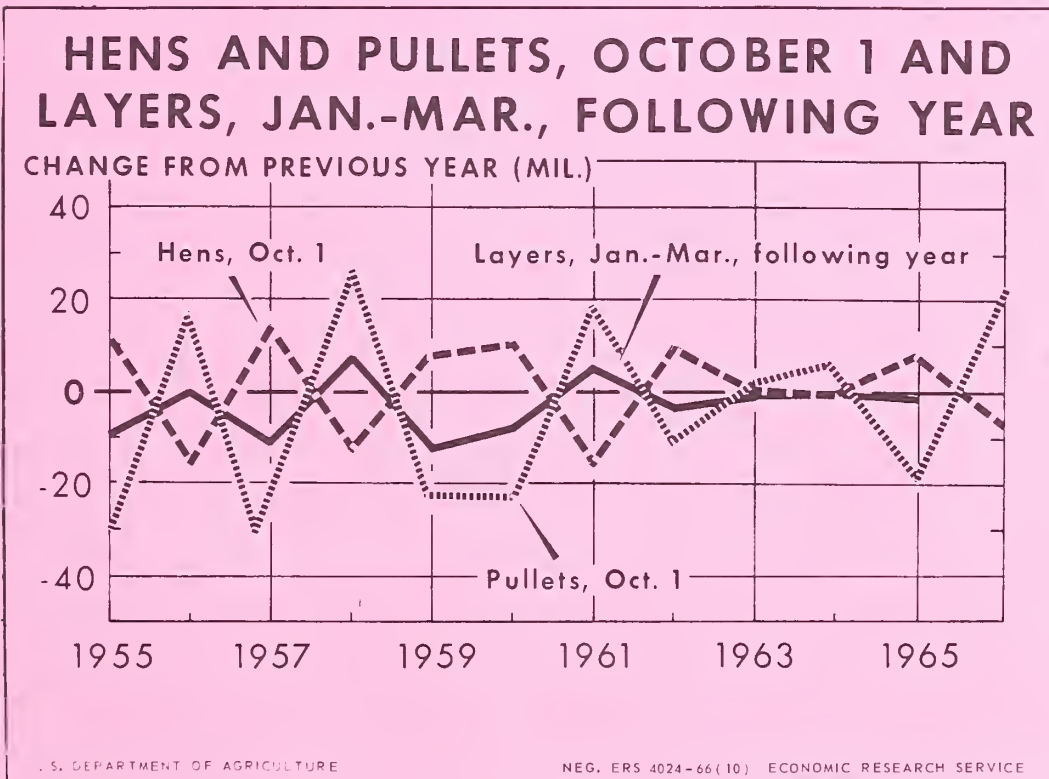


Figure 5

Hatchery activity over the past few weeks suggests that broiler production at the start of 1967 will be 5 to 10 percent above the 1966 level. Broiler output likely will continue well above the 1966 level in early 1967 because hatchery supply flocks will be expanding. In recent months, the Nation's broiler breeder flock was probably about 10 percent larger than a year earlier but early in 1967 it will be up about 15 to 20 percent.

Once investments have been made in hatchery supply flocks, most firms find it advantageous to utilize eggs from these flocks as long as broiler prices at least cover variable costs. Only when table egg prices are unusually high as they have been in recent months does it pay to divert large quantities of hatching eggs to market egg channels. Thus, with the lower level of egg prices in prospect for coming months, broiler firms, even if they expect prices to fall sharply, probably will only make marginal downward adjustments in broiler production unless they believe prices will fall and remain below marginal costs. Such adjustments include selling of supply flocks somewhat earlier than usual and setting only larger and higher quality hatching eggs, but exclude sizable liquidation of hatchery supply flocks such as occurred in 1961.

If firms expect demand to continue weak, they will reduce chick placements for supply flocks, but this adjustment requires about 7 months to take effect.

Broiler output in January-June likely will be up substantially from a year earlier but not as much as the 15 to 20 percent rise in broiler breeders. In the second half, the broiler industry probably will be in a better position to adjust production downward because the uptrend in pullet chick placements for hatchery supply flocks is likely to be reversed in coming months.

U. S. live broiler prices fell from 14.8 cents per pound in September to 13.3 cents in October as broiler demand declined seasonally and as competition from rising supplies of pork intensified. The October prices was .9 cent below a year earlier. Live prices in the first half of 1967 are expected to average more than 10 percent below the 16.4 cents per pound in January-June 1966. But, if the pace of output expansion slows later in the year, as expected, prices are likely to recover to 1966 levels.

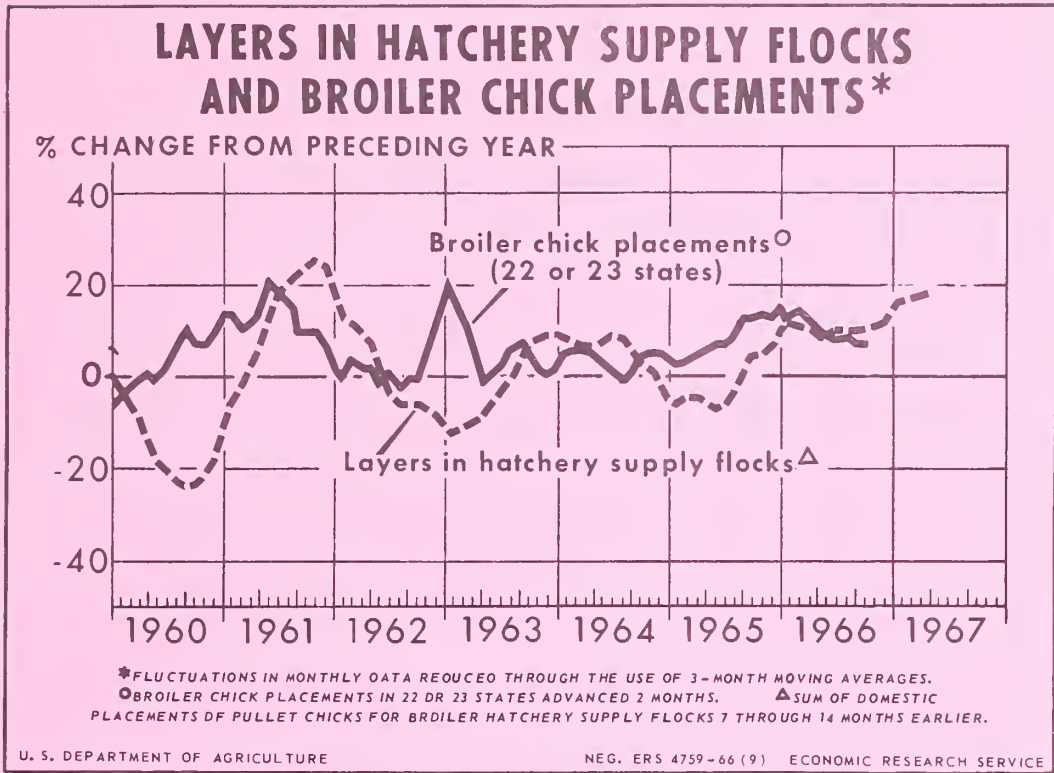


Figure 6

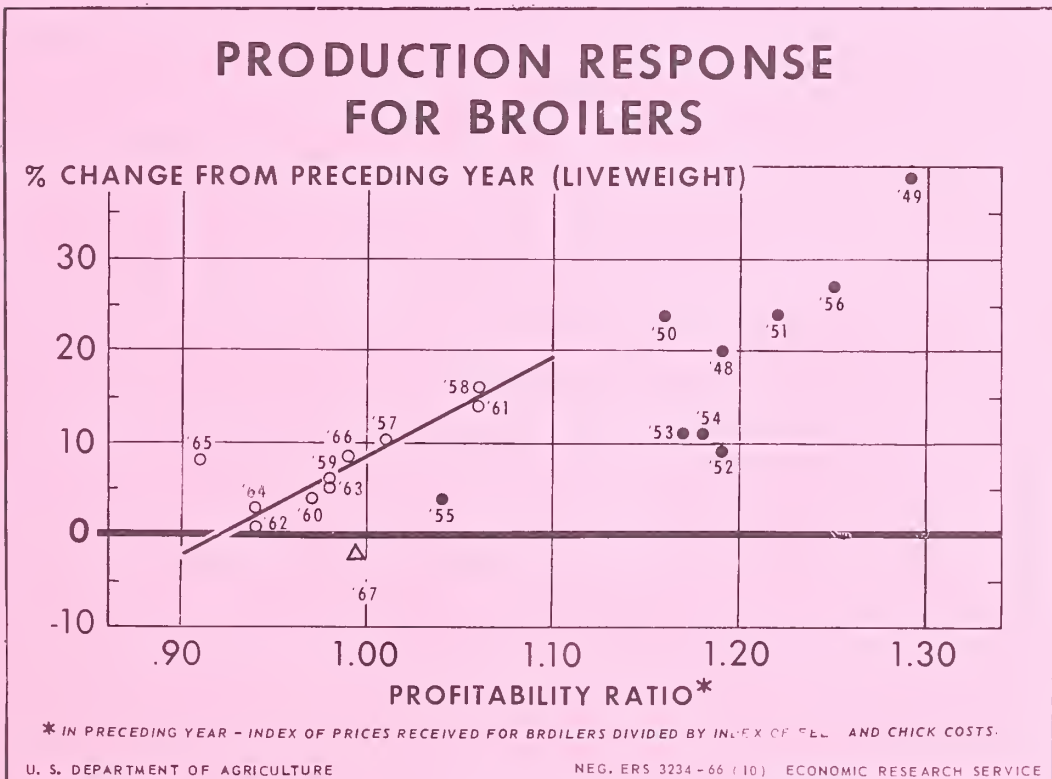


Figure 7

The turkey industry also appears to be gearing up for another increase in output in 1967. September hatchings and October 1 eggs in incubators, which will provide turkeys to be marketed early next year, although seasonally small, were up a tenth from a year earlier. Owners of turkey breeder hens, as of October 1, reported plans to keep 4 percent more breeders at the beginning of the 1967 hatching season than in 1966. So far this season--in July-September--intentions to keep more breeders have been borne out by the large increase over a year ago in the number of turkeys tested for pullorum disease by State Agencies. An increase in turkey production of around 5 percent would also be the expected response to the level of profitability of turkey production estimated for 1966.

Turkey prices early in 1967 are expected to run much below a year earlier because of greater competition from other foods. Fryer-roaster turkeys and hen turkeys which compete more directly with other meats are likely to be affected most. Tom prices early next year probably will continue benefitting from further growth in the demand for convenience foods that use turkey meat. The large expansion in prospect for poultry consumption in early 1967 and increasing pork production throughout the year also are expected to limit growth in demand for turkeys to be consumed next fall.

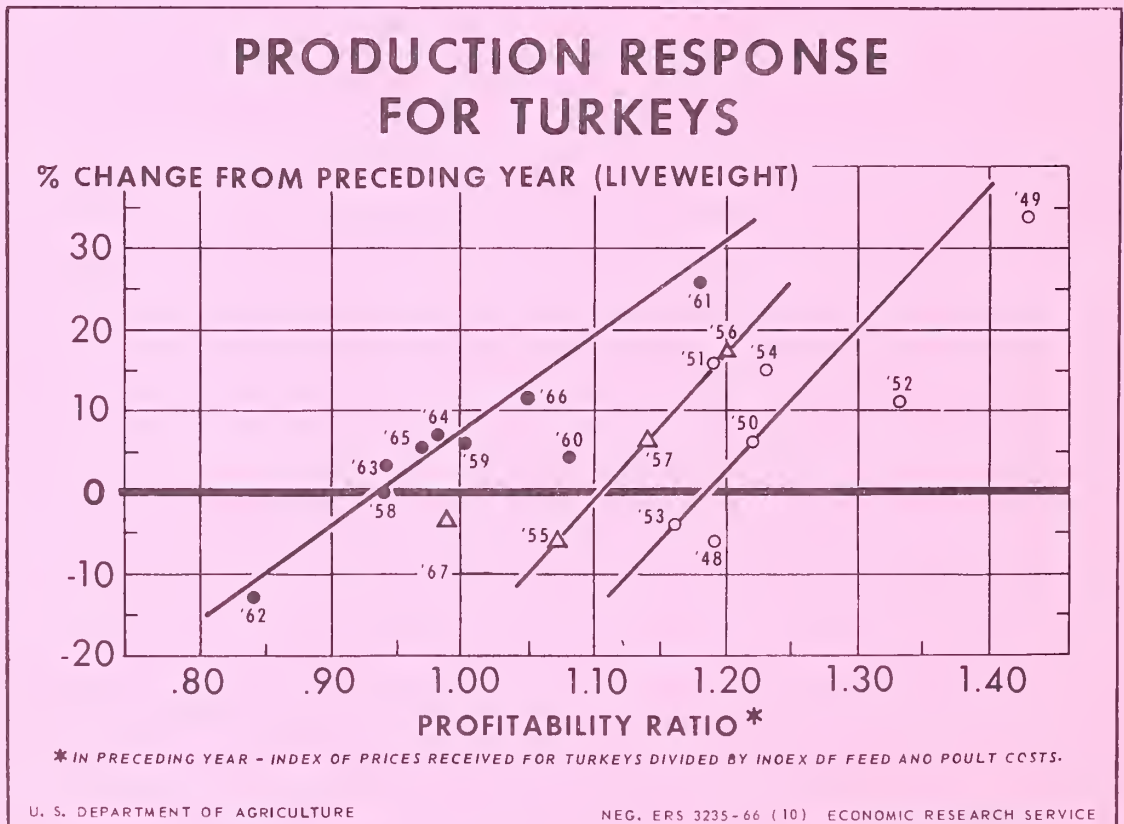


Figure 8

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

NEW DEVELOPMENTS IN LEATHER PRODUCTS AND FOOTWEAR

Talk by John W. Thompson
Marketing Economics Division
at the 44th Annual Agricultural Outlook Conference
Washington D. C., 3:30 P. M., Wednesday, November 16, 1966

I appreciate the opportunity to participate in the outlook conference. Aside from the personal satisfaction received, I am especially pleased to discuss with you some of the new developments taking place in the hide, leather and footwear industries.

Basically, the important new developments stem from fundamental technological and economic changes of recent years. These include changes in the way livestock are raised, changes in methods of removing and curing hides, changes in methods of tanning and finishing leather, and the development of new or improved leather products and increasing competition from synthetics.

Research efforts by USDA are expanding. Over the last 5 years, the Department has expended considerable effort to finding new uses for leather, improving leather products and finding more efficient methods for marketing hides, leather, and leather products. Part of this increased effort has come about because of synthetics. However, we often overlook the fact that we have more hides to market. For example, between 1954 and 1964 producers increased their production of beef from 80 pounds per capita to 100 pounds per capita. This resulted in about one third more hides being produced. Yet per capita consumption of leather did not change significantly. The surplus hides were exported. We should also keep in mind that hides and skins are the most valuable byproduct of the livestock industry. Today a cured hide is worth about \$10.00. This is equivalent to \$1.00 per hundredweight in the price of a 1,000 pound-steer. Increasing the value of hides can increase the farm value of beef cattle. Conversely, if hides fall in value, the farmer receives less for his cattle or the housewife pays more for her meat.

In preparing for today's talk, I thought it might be appropriate to start with an overall view of the hide, leather and shoe industry, then examine each segment with a little detail, and finish up with where the industry is going and what the consumer can expect in the way of new or improved leather products.

The marketing of hides through leather products is big business. Sales of domestically-manufactured leather products are about \$5.8 billion a year. (table 1) In addition, exports of hides and skins brought \$108 million in 1965, contributing significantly to improvement in our balance of trade. However, the value of hides and skins is only about 4 percent of the retail value of leather products. Most of the consumer's dollar goes to manufacturers and retailers.

Per capita expenditures for leather footwear are about \$22 a year, while expenditures for other leather products are about \$8 a year--nearly \$30, in total.

Table 1.- Estimated value of hides, skins and leather products at various marketing levels, 1963

Marketing agency	Value	Percentage of retail value
	Million dollars	Percent
Meat packers <u>1/</u> ...	223	3.9
Tanners <u>2/</u> ...	810	14.0
Leather manufacturers <u>3/</u> ...	3,170	55.0
Retail <u>4/</u> ...	5,764	---

1/ Bureau of the Census, MC 63 (2) -20A.

2/ Bureau of the Census, MC 63 (2) -31A. Includes belting

3/ Bureau of the Census, MC 63 () -31A and 31B. Shoes and slippers \$2,373 billion; other leather products, \$797 million.

4/ Estimated by applying a cumulative mark-on of 45 percent to all leather products

Supply and demand for U.S. hides and leather is changing. Commercial production of U.S. cattle hides this year is expected to result in about 34 million hides. Over the last 10 years U.S. use has averaged 21-24 million annually. (table 2).

Table 2.--Meat packers value of hides and skins, commercial cattle slaughter tanners hide purchases and hide exports, 1955 to 1965

Year	Meat packers value of hides and skins <u>1/</u>	Commercial cattle slaughter <u>2/</u>	Cattle hide movement to tanners <u>3/</u>	Hide exports <u>2/</u>
	\$1,000	1,000 head	1,000 hides	1,000 hides
1965.	N.A.	32,324	22,567	13,320
1964.	218,201	30,818	22,033	11,540
1963.	223,421	27,231	20,909	7,972
1962.	367,978	26,083	21,590	7,121
1961.	355,701	25,635	21,329	7,645
1960.	340,296	25,224	20,816	6,899
1959.	366,412	22,931	21,551	4,107
1958.	195,667	23,555	22,295	5,434
1957.	243,895	26,232	23,157	6,518
1956.	240,327	26,862	24,442	4,943
1955.	228,435	25,722	23,551	5,863

1/ Census of Manufacturers and Annual Survey of Manufactures, Bureau of Census.

2/ Tanners Council of America

3/ Does not include render hides Includes imported hides

The remainder of our hide supply has been exported. Due to increased leather demand on the part of the military as well as the civilian population, total cattle hides tanned this year is expected to be up a million hides from the 1965 level. Looking ahead to 1967, it appears the number of cattle hides available will be down by about 4 percent or 1-2 million from this year.

Many changes at the farm and packing house will help improve leather. Grub eradication programs have helped eliminate holes in leather and increased shoe makers' cutting yields. More than 20 percent of all cattle are now being treated for grubs. New skinning techniques have substantially reduced knife cuts and scores. Confinement of cattle to feed lots has reduced barb wire scratches and biological damage to hides. We are even hopeful that a new method of branding will reduce damage to hides.

Half of our cattle are branded. Conservative estimates set the economic loss from hot iron branding at \$15 million annually. The new method is freeze branding instead of hot iron branding. Under this method, a branding iron is cooled to a sub-zero temperature. The hair turns white where the brand is applied and the hide is not damaged as severely. However, this method is in the experimental stage.

Another new development which looks promising is the removal of hair from hides at the packing house. This would eliminate curing of hides, reduce transportation costs, and could upgrade the quality of leather. We have reason to believe this practice--if adopted--could reduce the marketing charges on a hide by about \$1.20.

The tanning industry is tending toward specialization. There are about 100 firms in the tanning industry today--each tending to specialize in making a new and improved product. Five tanners specialize in producing calf skin leather, 9 in glove leather, 9 in sole leather, 4 in upholstery leather and 4 in patent leather. Most of the remaining tanners specialize in side upper leather for shoes, which accounts for more than 80 percent of all leather used.

Another example of specialization in tanning can best be illustrated by a new concept USDA recommended last year--the dividing of a hide into various segments or component parts to produce leather for special uses (figure 1). Each segment of a hide has a different fiber structure, and there are variations in thickness and strength. Thus, the segmenting of a hide into component portions improves the quality of the final product. For example, belly leather is best for gloves, heads can best be utilized in novelty leather such as billfolds and key cases, shoulder leather is best used for belting or handbags, and the back or bend portion of the hide is best used for high quality shoes.

In typical tannery, a hide will pass thru about 85 processes. Let's look at the basic steps involved in converting a hide into leather.

1. Wash in water to remove salt.
2. Agitate in lime water to loosen hair.
3. Pass the hides through an unhairing machine.
4. Pass the hides through a fleshing machine to remove fat and flesh.
5. Tan in revolving drums to preserve the fibers.
6. Split and shave the hide to the desired thickness.
7. Dye to the desired color.
8. Agitate in oils for softness.
9. Dry the leather with heat to remove wrinkles.

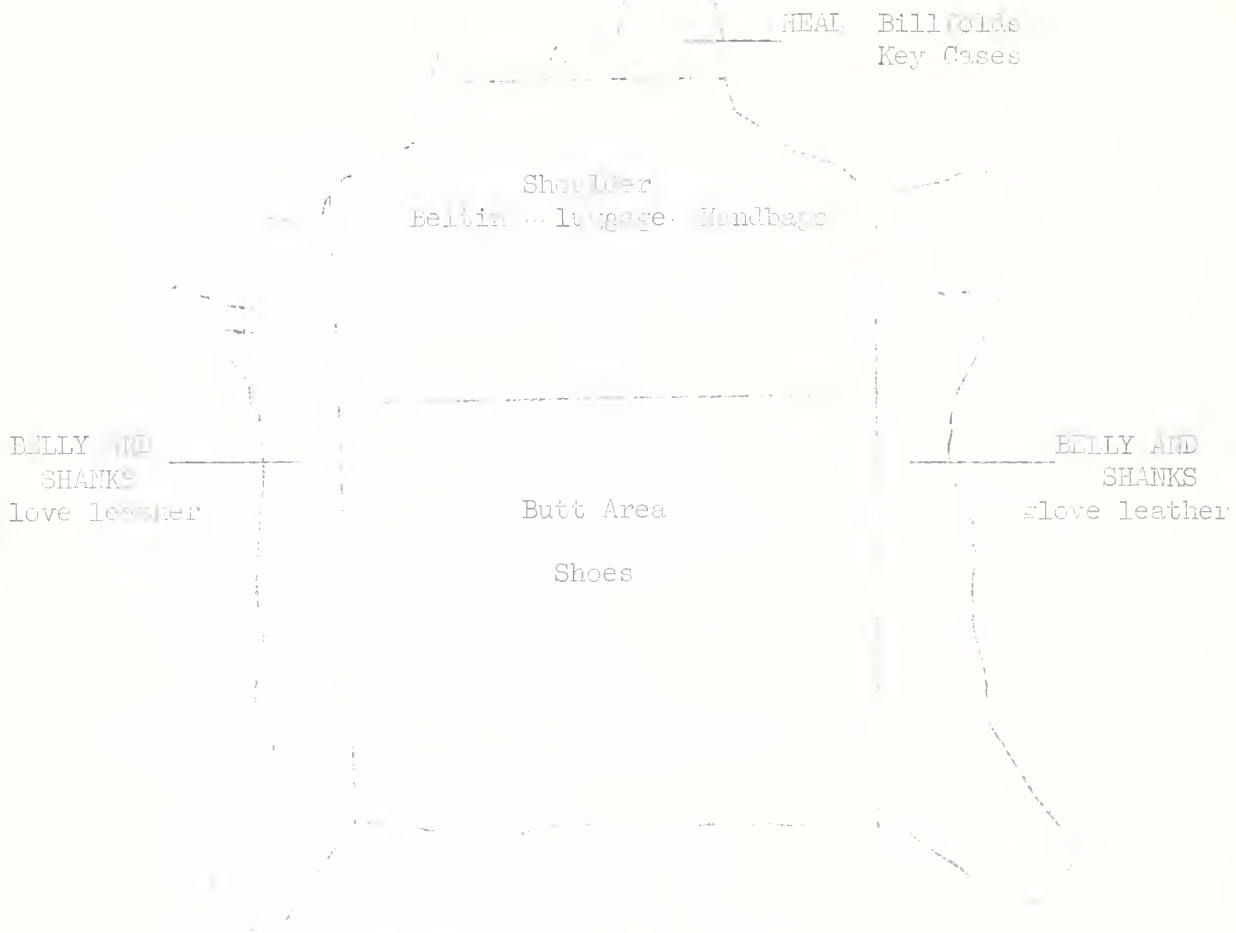


Figure 1 USDO WIDE TWIN PATTERN

10. Finish the leather: for example, emboss a grain in the surface, glaze or wax the surface or give it a special effect, such as a patent leather finish.
11. Trim and sort the leather by grades.
12. Package for delivery

Tanning has been one of the last American industries to mechanize or automate Much of this was due to a lack of capital and a lack of technology. Most tanneries are small businesses. The 1963 Census indicated that about one-third of all tanneries employed less than 20 persons. In a typical side upper tannery, the making of fine leather generally took more than 30 days, while sole leather tanneries took 2 to 5 months. Today all this is changing. Tanners are cutting the length of time in half. It appears that capital investment in equipment by tanneries is at an all-time high. Many tanners have made sizable investments in equipment such as 30,000 pound drums for tanning, vacuum driers, flow coaters, and automatic stackers. Successful attempts are being made by some tanners to achieve a high degree of mechanization as a result of labor shortages and increasing labor costs. Currently, electronic equipment is being used to mix chemicals and control quality in tanning and unhairing operations. Mechanization or automation is being used to maintain uniformity in leather and improve quality.

Shoe manufacturing is important to the U.S. economy. There are over 1,300 shoe factories located in 38 states. Total industry employment (including allied trades) exceeds 300,000 persons. Purchases of leather exceed \$800 million annually. More than 80 percent of the leather produced is used in shoes.

Leather shoe production this year is expected to be about 650 million pairs. When 150 million pairs of leather shoes and more than 125 million pairs of imported shoes are added to this, total pairage for this year approaches 1 billion pairs.

The average factory value of all leather shoes will be about \$4.25 per pair this year. Thus, the factory value will exceed \$2.6 billion in 1966. Add to this the production of other leather goods such as handbags, wallets, belting, saddles, and so on, and the manufactured value of leather goods will exceed \$30 billion this year.

Shoes are seldom appreciated. Yet,--they are a part of our everyday needs. We wear them for comfort and protection as well as appearance. Shoes are difficult to mass-produce. Shoes are made in so many different styles, shapes, sizes, and colors that less than 1 percent of the yearly production of a shoe factory is identical. There are many methods of making shoes but each requires 125 to 150 steps. The same number of operations are involved in making children's shoes as are involved in producing adult shoes.

On the average, per capita purchases of shoes exceeds 3 pairs for every man, woman, and child. However, women, misses and childrens' purchases generally exceeds 4 pairs per person while father and son purchases are 1.8 and 1.4 pairs per year, respectively (table 3).

Table 3 Total leather shoe production and capacity consumption
1960-1965 1/

Year	Total	Women's	Men's	Misses' and children's	Boys' and youths'	Infants' babies'	All other	Average
	1,000							
	Pairs	Pairs	Pairs	Pairs	Pairs	Pairs	Pairs	Pairs
1960	560,041	4.34	1.63	4.43	1.41	1.75	2.43	3.22
1961	592,907	4.17	1.65	4.24	1.39	1.68	0.47	3.23
1962	33,238	4.26	1.75	4.16	1.45	1.78	0.54	3.39
1963	44,328	4.56	1.70	3.91	1.37	1.62	0.50	3.19
1964	12,730	3.47	1.80	3.00	1.44	1.58	0.50	3.19
1965	30,070	3.98	1.81	4.10	1.43	1.52	0.49	3.24

Shoe prices are a topic of conversation these days. Most shoe prices increased 3 to 8 percent in 1966. Another increase of 3 to 5 percent is expected in prices of the spring shoe lines. 1/ This increase is not expected on all lines, but on a selective basis, such as children's lines and the top quality adult dress shoes.

Most of the price increase is attributable to higher labor and production costs of tanners, shoe manufacturers and retailers--not higher costs of hides. Also, shoe demand is expected to be as strong next year as this year while supplies of hides are expected to be down. Despite the fact that shoe prices haven't increased, the hours you worked to earn the money for a pair of shoes have declined 75 percent in the last 50 years.

The typical consumer knows little about how shoe prices are derived. The following table gives some indication of a breakdown in a typical pair of men's dress shoes (Table 4).

Leather substitutes are increasing. Today, more than 25 substitutes for leather are on the market and more will come. Only one substitute sells for more than leather. In my judgment, substitute materials have only two advantages over leather: they need less upkeep or polishing, and (with one exception), they generally are less costly. I have good reasons to believe the leather industry has or will soon finishes that will match those of the synthetics--thus reducing shoe maintenance.

1/ Leather and Shoes October 1, 1966 p. 10.

Table 4. -- An example of marketing costs and returns for hides in making a pair of men's shoes

Marketing agency for	Distribution of retail price	
	Value	Percentage of total
	<u>Dollars</u>	<u>Percent</u>
<u>Packinghouse:</u>		
Value of green hides (5.5 lb. at 9 cents).....	0.49	4.9
Curing cost05	.5
Fleshing cost.....	.14	1.4
Value of fleshing hide (3.6 lb. weight).....	<u>.68</u>	<u>6.8</u>
<u>Tannery:</u>		
Cost of hide (3.6 lb.)..	.68	6.8
Brokerage and freight.07	.7
Tanning materials25	2.5
Labor.....	.25	2.5
Overhead, selling, shipping and profit.....	<u>.25</u>	<u>2.5</u>
Value of leather (3 square ft.).....	1.50	15.0
<u>Shoe manufacturer:</u>		
Cost of upper leather (3 square ft.)..	1.50	15.0
Cost of soles, innersoles, linings.....	1.00	10.1
Labor, overhead, shipping, and profit	<u>3.00</u>	<u>30.2</u>
Manufacturer's price of shoes <u>1</u> /.....	5.50	55.3
<u>Retail store:</u>		
Cost of shoes.....	<u>5.50</u>	55.3
Salesmen.....	2.00	20.1
Overhead, selling, and profit.....	<u>2.45</u>	<u>24.6</u>
Retail price.....	9.95	100.0

1/ About 0.5 square foot of leather is wasted in manufacturing a pair of shoes.

Meeting the price of low cost synthetics is something else again. The problem is that more than 50 percent of all footwear manufactured in 1962 retailed for less than \$7.00 (table 5).

Table 5.- Percentage breakdown in shoe production by price lines 1962 1/

Factory price	Retail value	All footwear	Women's dress	Men's dress	Men's work	Misses' and Children's	Youths' and boys'	Infant
Dollars	Dollars	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1.00-4.00	1.00-5.00	47.2	26.0	5.1	2.0	63.2	37.2	78.2
4.01-7.00	5.01-7.00	17.2	28.6	14.0	10.1	17.2	12.2	15.0
7.01-10.00	7.01-10.00	17.6	18.9	37.1	29.3	18.2	30.8	6.8
10.01-15.00	10.01-15.00	13.8	21.6	28.4	43.1	1.0	3.0	---
15.01-20.00	15.01-20.00	2.5	3.2	6.9	11.6	---	---	---
20.01-up	20.01-up	1.9	1.7	8.5	3.0	---	---	---
Million pairs 2/		633	197	83	30	69	25	37

1/ Bureau of Census and National Footwear Manufacturing Association

2/ Does not include 91 million pairs of women's playshoes and sandals and 87 million pairs of house slippers.

It is difficult to make good leather shoes that retail for less than \$7.00. In 1962, about 55 percent of the men's dress shoes, women's dress shoes, and work shoes retailed for less than \$7.00. Thus, the manufacturers of substitute materials are aiming at this volume market. It is my belief that synthetics will compete with each other in the future for the low priced, high volume market while leather will retain the quality and prestige segment of the shoe and other leather product markets.

Of the five properties important in shoe materials, leather surpassed all synthetics yet developed. The five properties are: 2/

1. The water vapor permeability of the materials.
2. The capacity of the materials to absorb water from the moist air surrounding the feet.
3. The ability of the material to wick perspiration away from the foot and distribute it--either to the outer surface of the shoe where it can dry off, or more uniformly, through the material of the shoe.

- 4 The thermal conductivity of both the upper and bottoming materials.
- 5 The ability of the shoe materials to increase in dimension as they become moist and thus cause the shoe to increase in size as the feet become hot, sweaty, or swollen.

Also, the published statements of shoe manufacturers indicate that the only property of the new synthetic materials which they prefer above leather is the uniformity of these new materials.

In addition to these five properties, I would like to add a few other comments of why leather can compete favorably with synthetics in the upper price-quality markets. The demand for new fashions, new colors, and changes in the composition of most apparel materials becomes more important every day--not only because of higher incomes, but also because of the desire to be different or to try new things. Tanners are versatile. They have the ability to give fashion designers more service than mass material producers. For example, a tanner can and will change the color, grain and softness of a few hides to meet a buyer's requirements. In fact, it only requires 10 minutes for a tanner to change from one color to another. Synthetic manufacturers are not nearly as adaptable

The leather industry has many new products with improved properties. Perhaps the single most important new chemical--glutaraldehyde--for tanning in recent years came from the Agricultural Research Service, Eastern Utilization Research Laboratory. It has made it possible to impart many new properties to leather. Let's examine some improved leather products and the advantages the consumer might receive

- 1 Here are a man's dress and work shoe made from glutaraldehyde treated leather. They are soft yet resistant to perspiration, acids and alkali. In fact, they are nearly 3 times as perspiration-resistant as ordinary leather.
2. The second apparel item is a fine leather coat. It is made of sheepskin and is the latest in fashion design. It is soft and pliable. It will resist shrinkage even at high temperatures. It can withstand repeated washings with soap and water.
3. The third item is a woman's golf glove. It is colored with a new non-bleeding dye. This glove will withstand repeated washings in warm soapy water without the dye bleeding out. It is not affected by perspiration. After repeated washing and drying, the glove will still be soft and the leather will not crack.

4. Shearling bed pads for the prevention of bedsores of elderly persons in hospitals are another new item. The wool will easily absorb perspiration and provides good distribution of body pressure. The use of shearling bed pads in the past was limited to one-time use because the wool matted when it was washed. Leather researchers in the Agricultural Research Service found a new method to tan the shearlings so it is now possible to launder them many times.

5. Rubber-impregnated leather is another new, improved product from the tanning industry. It will last 8 times longer than ordinary sole leather and 20 times longer than the major substitutes for sole leather.

6. "Hushpuppy leather" made from pigskins was a product virtually dormant 10 years ago. Through an excellent research, development, and marketing program, hushpuppy shoes are known in 17 countries throughout the world. Today, the problem is how to get additional supplies of pigskins. Currently, one company purchases nearly 7 million pigskins. They anticipate the demand will triple by 1970.

Industry and Government research is providing many improvements to leather. It is now possible to make dye fast leather. Some leathers have been flexed more than 3 million times without cracking. We can shrink the grain surface or puff it up for new effects. Waterproof and scuff-resistant leathers are being produced on a large scale. Multicolor leathers such as seen a few years ago in patent leather shoes and handbags are good examples of new improved finishes. I was privileged a few months ago to see a unique new finish on some leather. The leather had exceptional eye appeal and the process for accomplishing the desired effect is so new that it appears patentable. All of these are examples of the leather industry putting forth new efforts to hold their present markets, find new markets, and please the consumer.

There is one other new use for hides--sausage casings. Traditionally all sausage casings were natural casings or made of synthetic cellulose materials. Today, as a result of research, more than 50,000 hides a year are used to make a collagen-type sausage casing. The casing is digestible and helps retain flavor. From our point of view, the product has an excellent future not just as a sausage casing, but as a wrapper for cheese and other food products. It is interesting to note that the meat packing industry spent 20 years educating the consumer to eat skinless frankfurters. Since it costs the meat packer about 5 cents a pound to strip synthetic casings from a pound of hot dogs, packers may want to use the new collagen-type casing and re-educate the consumer to eat hog dogs with the casing left on. Frankfurters and sausages wrapped in collagen are being marketed commercially throughout most of the United States. Presently, two firms manufacture the product and we expect that more firms will market similar products in 1 to 2 years.

Looking before so many women it would be a mistake if I did not mention style trends. The women's "cowgirl" boots will continue to abound this winter. Changes in styles will be mainly toward a more masculine look in both women's and men's shoes. The young lines will feature more strap-type shoes and more "buck" style. The design is often referred to as the "geometric look". These are the "fit look" for today's styles. They give the feeling of lightness and grace. They are the simplest of the basic pump.

I appreciate the opportunity to speak to you today about the hide, leather and shoe industries. If we can be of any service or answer any questions, we will be more than happy to accomodate you.

IMPLICATIONS FOR CONSUMERS IN THE WORK OF THE
NATIONAL COMMISSION ON FOOD MARKETING

Talk by G. E. Brandow

Professor of Agricultural Economics, Pennsylvania State University*
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:40 a.m., Wednesday, November 16, 1966

The Food Commission spent one and one-half years in making as thorough an economic study of the food industry as time and money permitted. On instructions from Congress, the Commission sought to appraise the effectiveness of competition in the industry, its efficiency, services to consumers, and the distribution of economic power in the system. Also according to its instructions, the Commission presented findings and conclusions on these topics and on desirable changes in statutes or public policy. The Commission's findings and conclusions are presented in its final report published last June, and ten supporting Technical Studies set forth a great deal of economic data and analysis about the industry.

I hope in this talk to develop the principal implications for consumers contained in this body of data, analysis, findings, and conclusions. The Commission was critical of the industry in some respects, but the criticisms must be kept in perspective. A favorable over-all appraisal was expressed as follows: "The Commission completed its study believing that the contribution of the food industry to a high and rising level of living was fully comparable with that of other leading sectors of the economy. In broadest terms, the industry is efficient and progressive. Supplied by a highly productive agriculture, manufacturers and distributors have provided consumers with a varied, abundant, and nutritious array of foods at generally reasonable prices."

When the Commission saw ways in which the industry's performance might be improved or a continuing good performance might be more nearly assured in light of changing conditions, it proposed measures it believed would be useful. Here the Commission was dealing with controversial issues, and there was dissent within the Commission itself about them.

The consumer's stake in effective competition

Much of the Commission's work centered around the nature of competition in the food industry and how, if at all, it was being modified by the industry's changing structure--that is, by the growing size of food manufacturers and retailers, by the tendency for successive steps of production, processing, and

* Executive Director, National Commission on Food Marketing during its one and one-half years of operation.

distribution to be combined under one management (vertical integration), and by "corporate sprawl" across separate fields. No one has a greater stake in effectiveness of competition than the consumer, for the nature of competition has much to do with the products offered at retail, how they are packaged and distributed, and--especially--the terms on which they are offered. Our economic system relies mainly upon competition as a built-in form of discipline requiring business firms to produce goods and services useful to consumers, to do this efficiently, to be progressive in developing better methods and products, and to hold prices closely in line with necessary costs and reasonable profits.

The Food Commission studied the competitive environment in which the food industry operates, and its performance, in an effort to appraise whether competition is effective in this sense. On the whole, the industry scored well. The Commission's principal concern in this area was that business might become so concentrated in the hands of a few dominant firms in the several branches of the industry that the discipline of competition would be lost. It proposed, therefore, that the largest firms should not be permitted to acquire larger shares of markets by merging with other firms in the same field. This proposal asked for more positive application of a policy that extends back for three-quarters of a century. This morning, however, I am less interested in discussing the particulars of the policy than to show that the issue of how to maintain effective competition is highly significant to consumers.

The spread between farm and retail prices

A perennial topic of discussion is the spread between farm and retail prices. The Commission developed additional data about price spreads and made extensive studies of the costs and profits that lie behind them. The industry was considered to be generally efficient, except for certain selling and distribution practices discussed in the next section. On the whole, profits in the food industry were about in line with profits in the American economy at large; only in a few fields were profits high enough to indicate substantial ability to insulate prices from the leveling effects of competition.

It would be possible to reduce some price spreads without diminishing value rendered to consumers. But, in the main, price spreads are high because processing and distributing foods are costly even when efficiently performed. In part, price spreads are high because consumers want variety, built-in maid service, and pleasant shopping environments; a wide price spread is not objectionable if it creates corresponding value for consumers. I particularly want to warn against an apparently easy answer to farmers' and consumers' problems--the notion that it would be possible to reduce consumer prices and raise farm prices by substantial amounts by reducing excessive profits and inefficiency in processing and distribution. The gains that seem attainable usually are distinctly modest and difficult to achieve.

Consumer sovereignty and its problems

In the end, the basic reason for the enormous resources devoted to food production and marketing is to satisfy consumers' wants. (The exceptions are export and other nonconsumption uses of food.) The expression of consumer wants in the marketplace is supposed to guide the myriad of activities in which the industry engages. Costs incurred in the production, processing, and distribution of food that do not yield corresponding value to consumers--directly or indirectly, in the long run if not the short run--are a waste of resources and a form of inefficiency. In less formal language, such costs make food prices unnecessarily high.

This is the idea of consumer sovereignty. One of the most important implications of the Commission's study is that consumers have difficulty of playing the role of sovereign well, and the difficulty is likely to become worse. Problems arise from the influence of promotion and its costs and from lack of information with which price and quality comparisons can readily be made.

Selling costs.--The food industry is made up of enterprising people--as we would want it to be--and they do not sit back waiting for the consumer to make her queenly desires known. Instead, they engage in all sorts of advertising, sales promotion, and other devices to get her to buy what they have to sell. New products, some of which she never thought of, are launched at her with almost as much planning and effort as goes into a rocket launching at Cape Kennedy. Retailers improve their stores, provide parking lots, offer trading stamps, run games, and jiggle prices up and down to attract her into their emporia. In short, Lola gets, not what Lola wants, but what Lola can be sold.

This situation is not dealt with easily either by the consumer or public policy because such behavior of the food industry (and it is by no means confined to foods) has both desirable and undesirable aspects. The consumer certainly gains from information about the foods that are available and at what prices. She quite likely approves of better stores and parking lots and is willing to pay for them. Many new products undoubtedly are worth their cost. But much advertising is merely expensive attention-getting, and false impressions of value may be implanted in the consumer's mind. For every genuinely useful new product, there may be a dozen trivial variations of shapes, colors, and sizes that serve mainly to increase costs of manufacturing and retailing.

The Commission's data contain numerous examples of the higher prices that may result for consumers. Between 1955 and 1964, large retailers added about 4 percent to the selling price of food to cover higher costs of doing business; 41 percent of the wider margin for retailers was accounted for by increased promotion costs, including trading stamps. (The stamps, of course, had some value to consumers.) A declining rate of inventory turnover contributed to higher retail costs; the rising proliferation of products carried by retailers was one of the reasons for falling turnover.

More than \$2 billion is spent annually in advertising food. In an extreme case, breakfast cereals, about one-fifth of the money the consumer spends goes to pay the cost of persuading her to buy a particular brand rather than another and to buy it in a particular store rather than in the one a block or two away. At the other extreme, two products often sold by grade, fresh beef and frying chickens, have only about 3 percent of the sales price represented by promotion costs, mostly by retailers. Promotion--advertising, trading stamps, games--ordinarily is undertaken to increase volume of business, but any successful promotion by one firm tends to be countered by competitors. Thus the firms often end up merely by maintaining volume rather than increasing it, and promotion costs must be covered by higher sales prices.

A striking indication of imperfect knowledge on the part of consumers emerged in a comparative study of manufacturers' advertised brands and retailers' brands. For such standard, familiar products as canned peaches and frozen orange juice concentrate, prices of advertised brands averaged about 20 percent higher than prices of retailers' brands of comparable quality. This is a situation that could scarcely exist if a large proportion of consumers were good judges of intrinsic value and bought accordingly. The lesson here is not that retailers' brands are always best buys--that is not true--but that significant gains can be made by consumers by better-informed buying.

Some inefficient distribution methods persist at least in part because they fit into processors' selling efforts. Much bread, considerable milk, and a number of grocery items such as crackers and cookies are delivered to stores and displayed for sale by the manufacturer or processor. This often makes distribution costs from plant to store shelf unnecessarily high, but it permits the processor to manage the display of his product in the store. Consumers' tendency to buy on impulse or to judge quality by the amount of product on display is an important reason why the processor wants to sell this way.

The high costs occasioned in some parts of the food industry by intensive promotion, superficial product proliferation, and expensive distribution methods--all tracing back to the incentive to influence the consumer--were the principal shortcoming the Food Commission found in the industry's efficiency.

Information; the ability to compare.--The consumer obviously needs accurate information and the ability to compare products offered to her if she is to shop in her own best interests and play the role of sovereign effectively. The difficulties here are familiar and were summarized by the Commission in its final report as follows:

"Some advertising is misleading or downright deceptive; some package sizes and designs exaggerate the contents; essential information that should be contained in labels is often hard to find, illegible, or even missing; package contents may be in odd or non-standard amounts for no technical reason, making price comparisons difficult; per-pound prices of the 'large economy size' occasionally

are higher than per-pound prices of smaller sizes; 'cents-off' labels proclaim price reductions that may not be genuine; special prices create confusion as to what the going price is; not all products advertised as weekend features are sold at special prices; consumer grades are confined to a few products and are by no means uniformly used even for those; and standards of identity are lacking for many products."

Again, most of these are not black-or-white matters in which consumers' interest clearly indicates precisely what the situation should be. For example, there are important problems in knowing what information in labels would be most useful to consumers. Technical matters relating to the physical properties of foods have an important bearing on package sizes that would be best from the consumers' standpoint. How far consumer grading can feasibly be carried can be determined only by experience. In the Food Commission's view, however, the marketplace could and should provide the consumer with more information, contain fewer distractions and sources of confusion, and otherwise enable consumers to shop so as to get the most for their money.

Trends in the food industry suggest that the situation may become even more confusing. Rising consumer incomes and changing styles of living, together with new technology in industry, increase the emphasis on convenience products, prepared foods, and other highly processed, often elaborately packaged items, none exactly comparable with another. Price and quality comparisons will be even more elusive than they are now.

Commission conclusions relating to consumers

"The consumer is, indeed, a sovereign;" the Commission's final report said, "but she is not, as she is so often told, an all-knowing, all-powerful, and fully-served sovereign." The Commission's conclusions as to what might be done about this strongly emphasized the importance of giving consumers as much objective information as practicable and then letting their free choices guide the industry.

One proposal was to require consumer grades on foods to the extent feasible. This would apply mainly to widely used packaged foods. It would not apply to perishables, to new products, or to highly heterogeneous foods. This seemed to be the best way to cut through the product differentiation that makes price and quality comparisons difficult. Of course, brands would continue to be used and probably would have meaning for many consumers. But emphasis would be shifted from what is outside the package to what is inside it.

A related proposal was that standards of identity should be established for more foods. These define what a given food is, so that consumers will not be misled and reputable processors will not be put at a disadvantage. Since grading and standards may come slowly, the Commission urged that added

information be contained in labels where this would be especially helpful--for example, showing the butterfat content and overrun of packaged ice cream.

The Commission also urged that, "Packages and their labels should assist consumers in gaining an accurate impression of the contents and in making price comparisons." Here the Commission was speaking of ideas popularized under the heading of "truth in packaging," but it did not endorse any particular bill.

A final proposal dealt with the desirability of making consumer information, education, and protection a more positive part of the activities of the federal government. The Commission specifically proposed a centralized consumer agency in the executive branch. While I personally lean toward the alternative of having existing agencies give full recognition to their duties and opportunities in the consumer area, the need for adequate representation of consumers' interests in government activities seems clear.

The Commission was able to give some attention to the special problems of the urban poor. Families in low income areas appear to pay more for food than do other families, not because particular retailers discriminate against the poor but because the poor usually are served by small stores charging above-average prices, often need credit, and frequently buy in small amounts at high unit prices. Essentially, the poor are a high-cost market, and this compounds their difficulties. The poor also seem to be the least-skilled buyers and among the most readily influenced by promotion.

Concluding remarks

The results of the Commission's work lead to the following summary:

1. There are significant gains to be made both by individual consumers and in the over-all performance of the food industry if consumers can be enabled to be better-informed buyers of food. Potential gains appear to be greatest for poor families.
2. The government has a role to play in providing "rules of the game" that assure consumers of more adequate information. Included are consumer grades, standards of identity, and reasonable standards for labels and packages. None of these substitutes someone else's choices for consumers' choices.
3. The final responsibility rests with the consumer. Education has an important contribution to make in enabling men and women to be more effective as consumers, just as it has in making adults more able to achieve their goals in other areas.
4. The gains to be realized, with perhaps a few exceptions, are not the dramatic and readily achieved kind that make a big splash and win instant acceptance. The spread between farm and retail prices we hear so much about is not going to be drastically reduced. The task is long-term and unspectacular.

5. Lasting gains are likely to come only from solid analysis and education based on sympathy for consumers' interests and on knowledge of the economic and technical facts of life about the food industry. The problems are too complex to be solved merely by good intentions.

To this I should like to add three further observations.

It is a major misfortune that a deep gulf usually separates consumer and industry groups when policy matters such as the foregoing are discussed. The tension between consumer and industry spokesmen is approximately that between cats and dogs. Often, neither shows much real interest in understanding what the other is talking about. Many problems that might be mitigated by voluntary means remain untouched, with the result that demand for government action rises.

The second observation is that educators and researchers working on problems of consumers need to form independent appraisals. This is a controversial area. One can easily get--in fact, one can hardly avoid--all sorts of hand-outs setting forth self-serving interpretations of issues relating to consumers. Some sophistication in appraising such interpretations is essential.

Finally, it appears that we now are in a period when systematic, continuing attention to consumer interests is developing. Such questions will receive more attention in research, adult education, activities of government agencies, and--in response--industry itself. Home economics can play an important role in this development.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR FOOD CONSUMPTION, PRICES, AND EXPENDITURES

Talk by Stephen J. Hiemstra
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:15 A.M., Wednesday, November 16, 1966

Summary

Retail food prices in the first 3 quarters of 1966 averaged 5 percent above a year earlier. Prices in the fourth quarterly likely are declining slightly from the third quarter but remaining above a year earlier. The unusually large increase for the year of $4\frac{1}{2}$ to 5 percent above 1965 is primarily the result of strong demand. Despite the large price increase, per capita food consumption has increased nearly 1 percent. Population grew a little more than 1 percent. As a result, total food expenditures in 1966 are 7 to 8 percent above 1965. Disposable personal income also is up around 8 percent this year, so the percentage of income spent for food is remaining at about the same level as in 1965, 18.2 percent.

In 1967, per capita food supplies are expected to increase slightly. All of the increase is expected in crop products; little change is expected in per capita consumption of livestock products. A generally strong economy and strong demands for export and for military food use are expected to result in higher food prices again in 1967. Food prices are not expected to go up as much next year as in 1966, but the increase may be greater than in most recent years. Likewise, food expenditures are expected to increase again in 1967 but not as much as in 1966 and probably not as much as the increase in disposable personal income. Consequently, the percentage of income spent for food likely will decline slightly in 1967 as it has in most postwar years.

Food Expenditures

Food expenditures in 1966 are totaling around \$92 billion, up from \$85.4 billion in 1965. This is an increase of more than 7 percent and the largest annual increase since 1951.

As you see in the chart, the percentage of income spent for food in 1966 is about equal to that in 1965 (fig. 1). In view of this year's rapid price and expenditure increase, it took a large increase in incomes merely to hold the percentage constant. The percentage of income spent for food has declined in 11 of the past 15 years. In 1967, the percentage is expected to resume its downward trend since income gains likely will overshadow food expenditure gains.

The chart shows that the total marketing bill as a proportion of disposable income has remained relatively stable since 1950. It has declined slightly

but the farm value has declined more. The farm value in 1966 is increasing about 10 percent over 1965, mostly due to a 9 percent price increase; the marketing bill is up about 6 percent this year. As a result, the proportion of income accounted for by the farm value is increasing slightly this year whereas the marketing bill relative to income is decreasing. More typical postwar relationships are expected to resume in 1967, with the marketing bill up and the farm value relatively stable.

Demand for Food Strong

A strong demand for food was exhibited by each major sector of the economy during 1966. World food shortages stimulated exports to reach a new high this year. Exports are much larger for wheat, feed grains, and soybeans and products. Military food takings in 1966 are up more than a tenth. Reduced unemployment and stepped-up food stamp and other dollar donation programs are adding to demand by low income families. Total civilian food use is up nearly 2 percent and nonfood use of food products, mostly for feed, also is above 1965 levels.

Production of food commodities in 1966 is less than the total amount being used. Production declines are concentrated among the crops. Declines are occurring for most food and feed grains, vegetables, deciduous fruits, and milk. Rising imports are helping offset the production decline. Nevertheless, stocks of food commodities at the end of the year are expected to be below a year earlier (fig. 2).

The outlook points to a rise in production of crop products in 1967. Some 25 to 30 million acres previously diverted under Government programs may be brought back into production. Output increases also appear likely for pork, poultry, eggs, fruits, and vegetables. Part of these gains likely will be offset by declines in beef slaughter if producers expand breeding herds as expected. These increased supplies are likely to meet generally strong demands for food products in 1967, but the upturn is not likely to be as vigorous as in 1966. Nevertheless, exports likely will increase again. Military food takings probably will continue to expand, and civilian food use likely will increase slightly more than population.

Military Food Use Up

Central military food procurement for troop use in the first 9 months of 1966 exceeded that of a year earlier by 15 percent, but the rate of procurement this year slowed from the fourth quarter of 1965. Central procurement of food totaled about \$1 billion in 1965. This did not include local purchases of perishable items, such as bread and milk, nor did it include purchases for resale in commissaries and post exchanges in this country. Commissary sales (including nonfood items) in fiscal year 1966 totaled \$1.3 billion, about a fourth of which were made overseas.

The effects of military food takings on civilian supplies and prices vary considerably by commodities and timing of purchases. Procurement contracts

FOOD EXPENDITURES RELATIVE TO INCOME

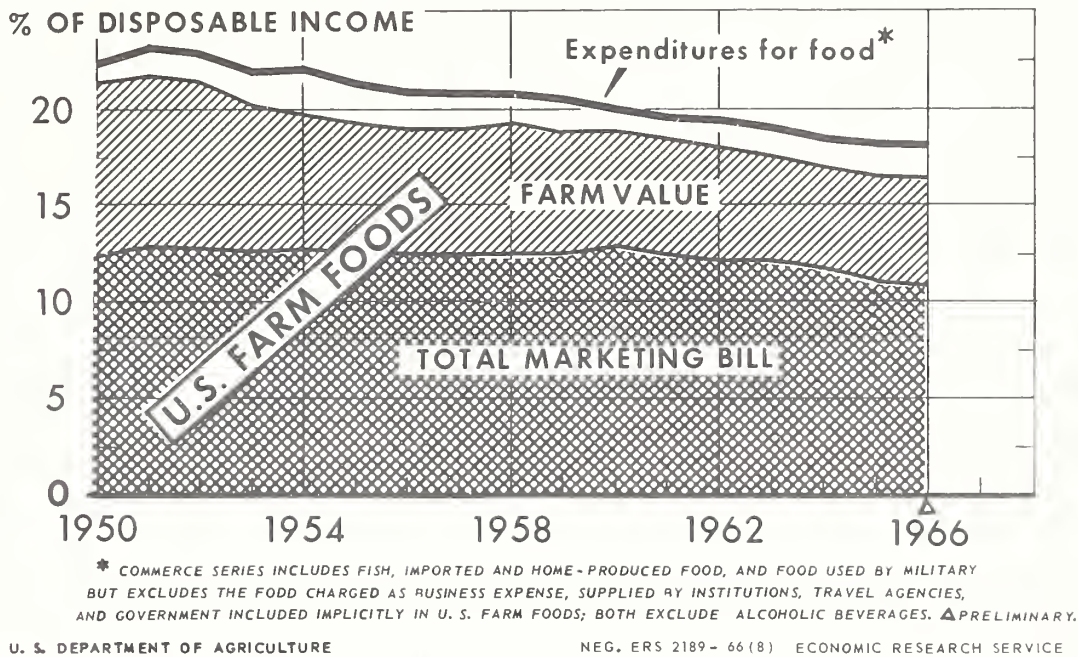
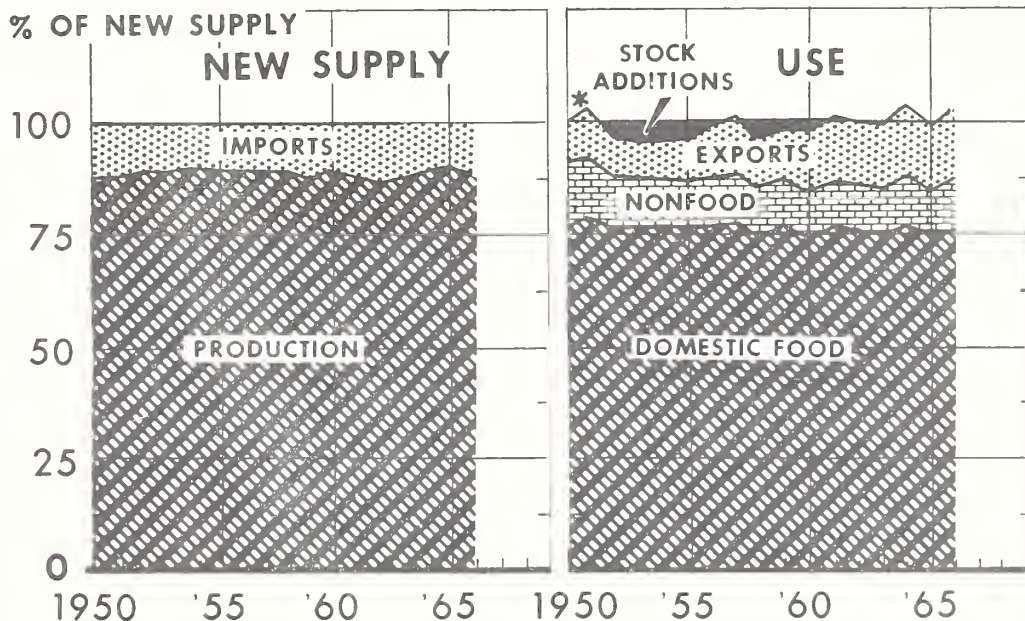


Fig. 1

SUPPLY AND USE OF FARM PRODUCTS



PROCESSED AND UNPROCESSED FARM COMMODITIES COMBINED IN TERMS OF CONSTANT FARM PRICES.
FEED AND SEED EXCLUDED. * USE EXCEEDING 100 PERCENT IMPLIES STOCK DEPLETION.

Fig. 2

tend to vary significantly from month to month. As a result, the bunching of purchases sometimes temporarily disrupts civilian markets.

Military food takings are accounting for about 2.3 percent of total U.S. food use in 1966 compared with 2.1 percent in 1965. The military accounted for 1.6 percent of the total population in mid-1966 compared with 1.4 percent a year earlier. These figures show that military food use per capita is about one-half greater than for civilians.

Donation Programs

Commodity donations of food to schools, institutions, and needy persons in January-June 1966 were one-fourth less (in pounds) than a year earlier. Substantial decreases occurred for meat, lard, and dairy products but donations of flour and other cereal products were maintained. The decline was caused mostly by the shift to the Food Stamp Program. In 1965, commodity donations accounted for nearly 1 percent of total civilian food use, down slightly from 1964.

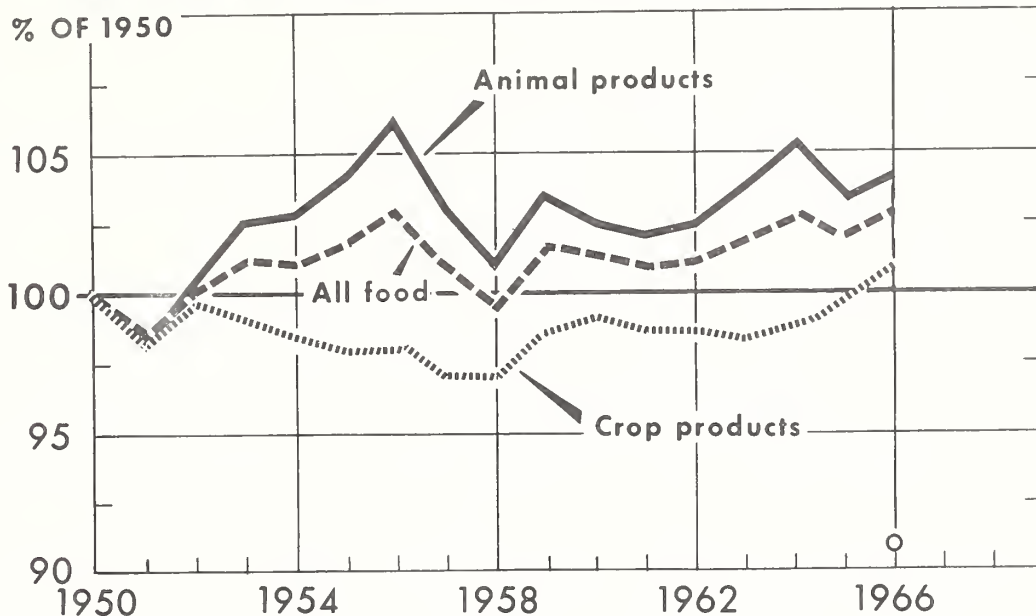
In contrast to commodity donation programs, several dollar donation programs are expanding. The Food Stamp Program in mid-1966 reached 1.2 million people, twice as many as a year earlier. The participants paid about \$109 million for coupons worth \$174 million. Participation in the Program is expected to increase about 50 percent next year. Federal payments under the National School Lunch Program totaled \$141 million in fiscal year 1966, up 8 percent from \$130 million a year earlier. Payments under the Special Milk Program totaled around \$97 million in both years. In addition, the new Child Nutrition Act of 1966 authorized a 2-year Pilot Breakfast Program. This Act also extends school food service to pre-school programs operated through the school system.

Per Capita Food Consumption

Despite increased exports and military food takings, per capita civilian food consumption in 1966 is averaging close to 1 percent above 1965 (fig. 3). Increases are taking place both for animal and for crop products, but the largest increase is for crops. Consumers are eating more poultry meat, vegetable oils, and potatoes. But, they are eating less pork, milk, noncitrus fruits, vegetables, melons, and animal fats.

Long-term trends show that meat consumption per capita has not changed much over the past half century but poultry meat consumption has increased considerably since 1940 (fig. 4). However, meat consumption since 1940 is the average of rising beef consumption and generally stable or declining pork consumption. Consumption of dairy products, fruits, and vegetables in 1966 each is down from a year earlier and below postwar peaks. But, per capita consumption of each remains relatively high by historical standards (fig. 5). Per capita consumption of cereal products, potatoes, and sweetpotatoes in 1966 each is well below consumption of 50 years ago. However, consumption has leveled off in recent years. Potato consumption per capita has increased noticeably in recent years when potato products are added on a constant retail

PER CAPITA FOOD CONSUMPTION*



* QUANTITIES VALUED AT CONSTANT RETAIL PRICES.

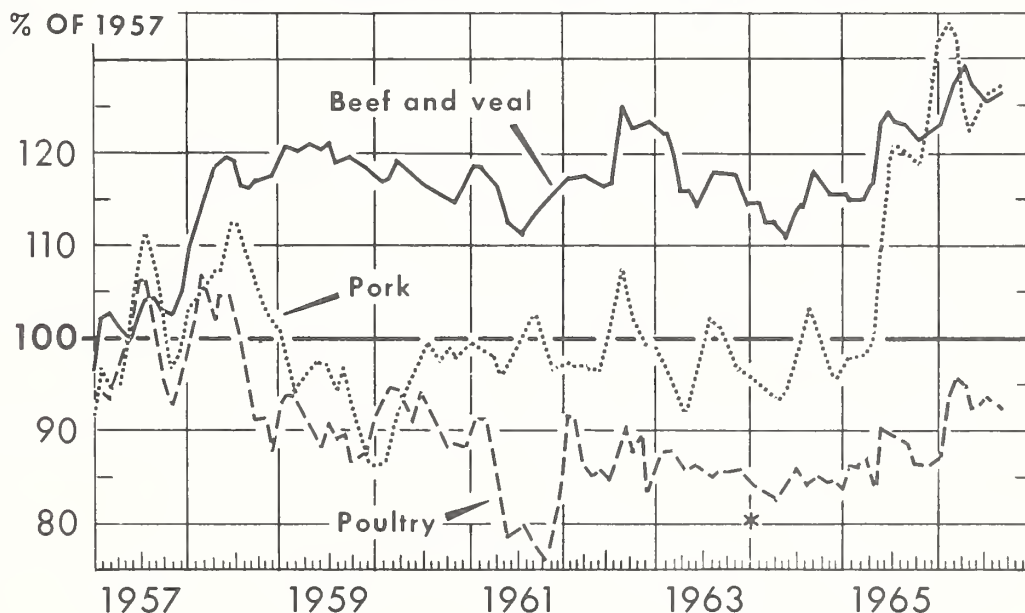
○ PRELIMINARY.

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Fig. 3

RETAIL MEAT AND POULTRY PRICES



DATA FROM BUREAU OF LABOR STATISTICS.

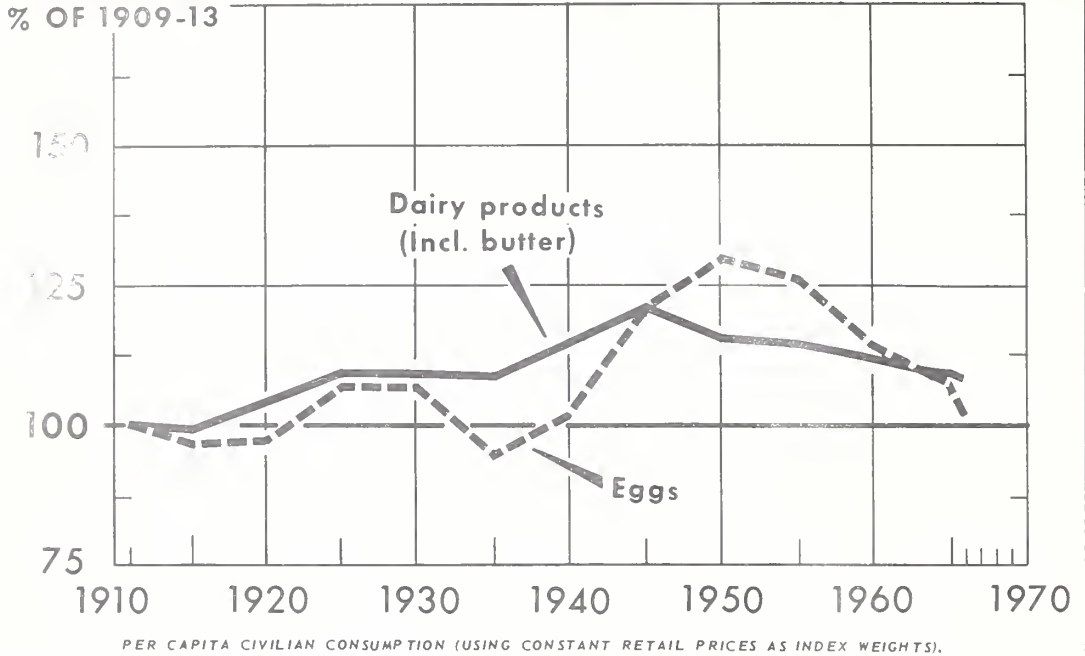
* SERIES REVISED BEGINNING JANUARY 1964.

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NEG. ERS 3841-66 (10) ECONOMIC RESEARCH SERVICE

Fig. 4

CONSUMPTION OF DAIRY PRODUCTS AND EGGS

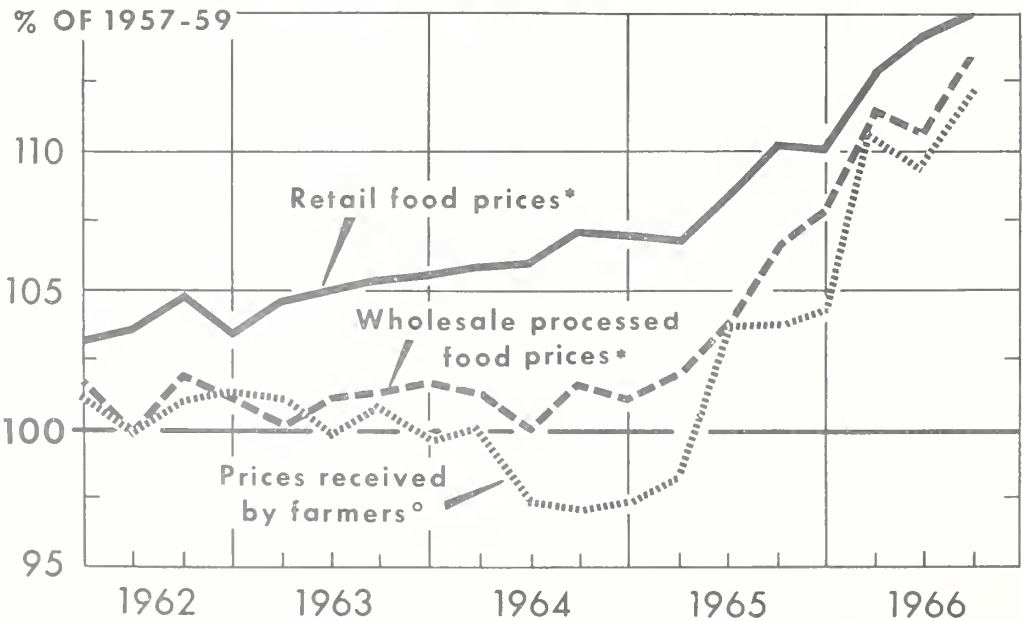


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NEG. SRS 176-66 (11) STATISTICAL REPORTING SERVICE

Fig. 5

PRICES: RETAIL, WHOLESALE, FARM



*BUREAU OF LABOR STATISTICS DATA. °ALL FARM COMMODITIES.

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NEG. ERS 4257-65 (11) ECONOMIC RESEARCH SERVICE

Fig. 6

dollar basis; processed potato products weigh heavily in the total on this basis. Even in terms of fresh weight equivalent, potato consumption in 1966 is above the 1957-59 average.

A small increase in per capita civilian food consumption is likely in 1967 due mostly to a rather large increase for crop products. Among the animal products, further increases for pork and poultry may largely offset a decline in beef consumption. Citrus fruits account for much of the increase expected for crop products, but gains also are likely for vegetables, potatoes, and vegetable oils.

Retail Food Prices

Retail food prices in third quarter 1966 averaged $4\frac{1}{2}$ percent above a year earlier (fig. 6). Wholesale prices of food products were up 7 percent and prices received by farmers were up 9 percent. In comparison, consumer prices averaged 3 percent higher. Retail food prices in the third quarter were not as much above a year earlier as during the first 2 quarters of the year.

Egg prices have been relatively high all year. Meat prices were particularly strong early in the year (fig. 7). By August and September, prices increased sharply for dairy products and cereal and bakery products. Prices for fresh fruits and vegetables usually decline in late summer. But this year they remained unseasonably high. As a result, third quarter prices reached a new high level.

Wholesale prices for farm products and processed foods have declined steadily since about mid-September. Wholesale prices for farm products in October averaged 4 percent below September. As a result, retail prices likely are in process of working lower for several items including pork, chicken, eggs, citrus fruit, and fresh vegetables. Prices in the fourth quarter likely are declining slightly from third quarter and probably are not averaging as much above a year earlier as they did in the third quarter.

Even though per capita supplies are expected to be somewhat larger in 1967, retail food prices are expected to average higher in 1967 than in 1966. Prices **are not** expected to increase as much as in 1966 but the increase likely will be more than in most recent **years (fig. 8)**. Reduced beef supplies likely will mean higher beef prices, particularly after midyear. Dairy product prices are expected to remain strong and for the year average above 1966. Cereal and bakery product prices probably will move gradually upward, as they have in most postwar years, but the increase likely will not be as sharp as **during** the past year. Prices also may creep upward for fats and oils and many processed fruits and vegetables. Sweetpotato prices this winter and next spring probably will be much above a year earlier but potato prices probably will average only slightly above a year earlier.

Increased supplies of pork, poultry, and eggs in 1967 are expected to mean lower prices for these items. The large increase in citrus fruit expected this winter also is expected to result in lower prices through much of 1967.

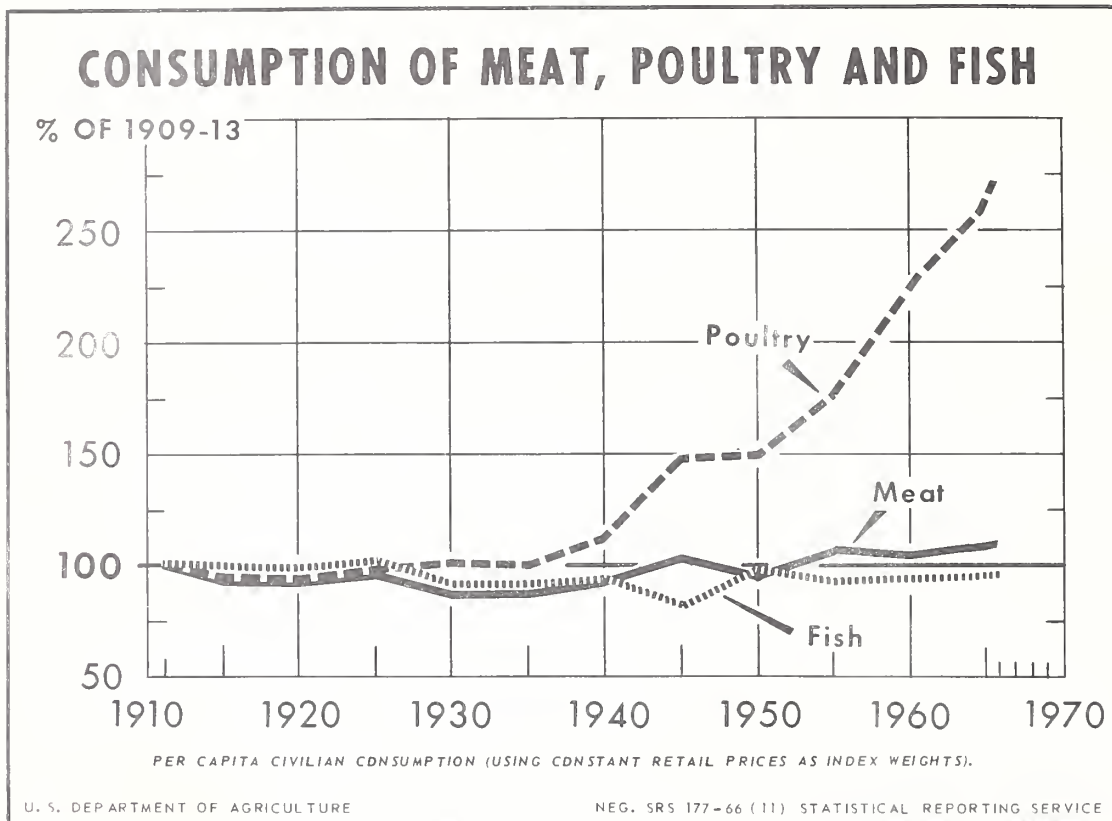


Fig. 7

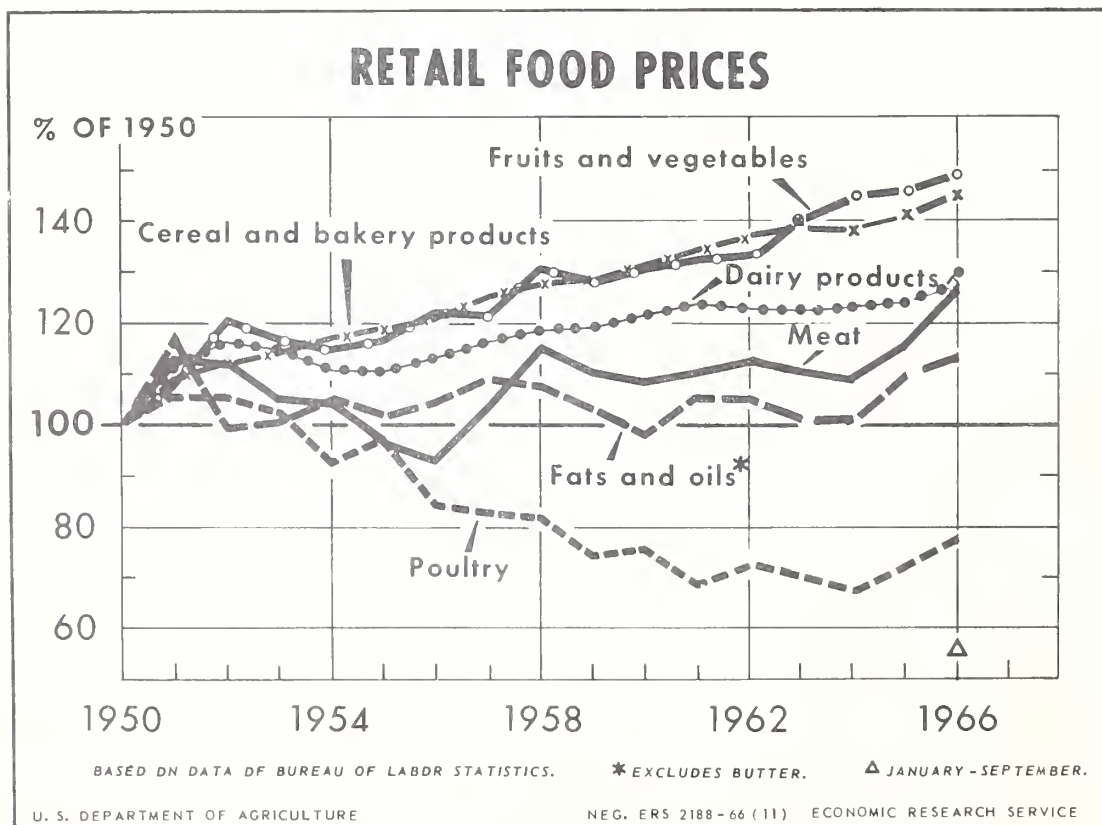


Fig. 8

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Service

CHANGING PATTERNS OF FAMILY FOOD SPENDING

Talk by Faith Clark

Director, Consumer and Food Economics Research Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:00 A.M., Wednesday, November 16, 1966

How families spend their incomes is of importance to home economists concerned with consumer education, to economists concerned with agriculture and the national economy, to statisticians developing indexes, to market analysts estimating the demand for products and to others responsible for public policies and programs. Since the end of World War II, at least two important changes in family food spending have been occurring in the U.S. that have special implications to those of us in Agriculture. These are the decreasing proportion of total family expenditures going for food, and the declining proportion of the rural family's food that is home produced.

The first of these trends--the decreasing proportion of total expenditures going for food--is supported by national aggregate data as well as by data from sample surveys of households. Trends in the spending patterns of population groups such as farm families can only be studied from household surveys. The 1965 survey of household food consumption makes possible a study of trends in food spending patterns since 1955 when the latest previous survey of household food consumption was made.

The trends and other observations noted in this paper refer to total family spending for food and alcoholic beverages. Separate totals are available for purchases, home-produced food and food received as gift, pay or through Federal donation. Data are not yet available, however, from the 1965 survey on the kinds and amounts of food and beverages used.

Food in the Family Budget

The Economic Research Service regularly calculates from the Commerce Department's national accounts the percentage of income spent on food. This series shows a decreasing proportion of disposable personal income spent for food from 1947 to 1965 ¹/₁. The percentage declined from almost 26 percent in 1947 to 18.2 percent in 1965 (food excluding alcoholic beverages). The preliminary estimate of the percent spent in 1966 is the same as that in 1965. During the years of World War II when there were price controls and rationing, the percentages ranged from 20 to 22 percent.

¹/₁ U.S. Food Consumption. Sources of Data and Trends. USDA Stat. Bull. 364, Supplement for 1965, table 98, Rev.

Consumer expenditure surveys substantiate the decline in the proportion of income spent for food, although the percentages run 2 to 3 points higher than in the national accounts statistics. This is because of the different nature of the two sets of data. Using either set, however, food no longer takes the largest share of the family budget. Housing, when defined to include the house itself and its operating expenses and furnishings and equipment, now takes the largest share 2/.

Food Spending, 1955 and 1965

The 1955 and 1965 surveys were both nationwide sample surveys of house-keeping households in the United States (excluding Alaska and Hawaii). Households were interviewed during the spring and information was obtained on the kinds, amounts and expenditures for food used during the week preceding the interview. According to preliminary tabulations available from the 1965 survey 3/ and the published reports of the 1955 survey 4/, the average money value of all food used at home and away from home by U.S. households (urban and rural) increased from \$30 a week in 1955 to \$35 in 1965 (Fig. 1). This increase amounts to 17 percent. The dollar value of the food used at home, adding together both bought food and food received without direct expense increased from \$25 in 1955 to \$29 in 1965, an increase of 15 percent (when calculated from the unrounded figures). The amount used for meals and snacks away from home increased from \$5 to \$6 or 20 percent (again when calculated from the unrounded figures). The BLS index of prices of food used at home in cities rose 13 percent during this period, prices of food away from home, 28 percent.

The changes in spending on food to be used at home and on food away from home meant that families were spending a slightly larger proportion of their food money for food away from home in 1965 than in 1955. The U.S. average was 17.5 percent in 1965 compared with 16 percent in 1955. This increase is not as large as might be expected considering the increase in real incomes in the 10-year period, the higher proportion of women employed, and the increase in off-farm employment. All of these factors generally make for more expenditures for food away from home. Offsetting these may be the greater increase in prices of food away from home than food at home; the continuing movement to the suburbs, with the accompanying tendency to entertain more at home and eat fewer meals in restaurants; and the setting up in housekeeping units of more 1-person households, who rely less on meals in public eating places than do persons in rooms or light housekeeping units.

2/ Survey of Current Business, July issues.

Consumer Expenditures and Income, Total United States, Urban and Rural, 1960-61. USDA Rpt. CES-15.

3/ Money Value of Food Used by Households in the U.S., Spring 1965. Prelim. Report, Consumer and Food Econ. Res. Div., ARS, USDA.

4/ Food Consumption of Households in the U.S., Report No. 1, Household Food Consumption Survey 1955, ARS and AMS, USDA.

The importance of income as a factor affecting family food expenditures is shown by the next chart (Fig. 2). The point I wish to make here is that the proportion of the total dollar outlay spent on food away from home does increase sharply with income. At the lowest income level \$2 out of every \$17, or about 12 percent, was spent on food eaten away from home in 1965. At the middle income level \$6 out of \$36, or 17 percent, went to food away from home. At the \$10,000-and-over income level, about 27 percent of the food money went for meals and between-meal food eaten away from home. Hence with families moving up the income scale, it might have been projected that the percentage of the total value of food spent by all families on "eating out" would have increased more between 1955 and 1965 than the 1.5 percentage points calculated from the two surveys. However, factors other than income--some of which were mentioned above--have to be taken into account in using cross-section survey data to make projections of future consumption patterns.

Food of Farm Families

One of the most noteworthy changes thus far shown by our analysis of the 1965 survey data is the shift in the spending patterns of farm families toward more purchased food and less home-produced food (Fig. 3). Spending patterns of farm families changed much more between 1955 and 1965 than did those of urban families. Expenditures by farm families for food away from home nearly doubled in the 10-year period, rising from about \$2 to almost \$4 a week. This means that food away from home made up 11 percent of the total money value of their food in 1965 compared to 7 percent in 1955. Their expenditures for food at home rose from \$15 to \$21, an increase of 40 percent. Some of this increase was due to higher food prices and some to a shift to purchased food from home-produced food.

The total money value of the home-produced food used by farm families declined between 1955 and 1965 in spite of the higher values per unit assigned to most foods in 1965. In both surveys home-produced foods were valued at the current price paid by farmers who bought similar foods. The proportion of the food used in farm homes that was home produced declined from 41 percent in 1955 to 31 percent in 1965 (Fig. 4). The proportion that was purchased increased from 56 to 67 percent. Food received as gift or pay declined from 3 to 2 percent of the total.

These figures support observations that farm families are becoming more like city families in their way of life. Many farm families are relying less on home-produced food and spending more on meals and snacks eaten away from home. More meals eaten away from home mean less food is needed at home. Many of these meals away probably are at off-farm work. Such employment means less time at home to raise garden produce or keep farm animals for home use.

Urbanization Differences

The total money value of the food of urban and farm families in 1965 was approximately the same, \$36 a week, but the average was lower for rural nonfarm households, \$33 (Fig. 5). Because the average size of urban families was smaller than the rural families, the money value per person of the urban families' food was higher--about \$11 compared to \$9 for the farm and \$9.50 for the rural nonfarm families.

Although farm families now spend more like urban families, there is still considerable difference between them, especially in the proportion of the total spent on food away from home and, of course, in the proportion home produced. In 1965, 11 percent of the total money value of farm families' food went for food away from home, compared with 19 percent of urban families' food. The comparable percentage for farm families in 1955 was considerably lower--7 percent--while that for urban families was only fractionally lower than the 1965 figure.

There is also still a difference in the per capita total money value of food of farm and city families, though the difference is smaller than in 1955. In 1965 the per capita money value of the farm family's food supply was 80 percent of the urban family's, as contrasted with 72 percent in 1955.

Regional Differences

Regional differences in family food spending were still quite large in 1965. The value of food used at home by families ranged from \$32 a week in the Northeast to \$26 in the South (Fig. 6). Because there was little difference in household size among the regions, the range in value per person was relatively the same--from \$10 in the Northeast to \$8 in the South. Expenditures for food purchased and eaten away from home varied at about the same rate as food at home. The range was from \$7 per family per week in the Northeast to \$5 in the South.

In 1955, regional differences were wider. Southern families especially were spending amounts for food that were farther below the U.S. average than in 1965 (Fig. 7). This applies for both food to be used at home and food away from home.

This lessening of regional differences in food spending is part of a general lessening of geographic differences in standards of living in the United States. The improved income position of families in the southern States has resulted in food spending patterns much more like northern families than formerly. We shall be interested in analyzing the commodity data to see how consumption patterns have changed.

Income-Expenditure Relationships

Earlier I showed a chart that indicated that families with higher incomes spend more for food at home and for food away from home than those with lower incomes. There is interest in investigating whether there has been a change in these income-expenditure relationships since 1955. Figure 8 shows the income-expenditure relationships for urban families for food at home and food away from home on a double log scale. It appears from these data that the income-expenditure curves for both food to be used at home and food away from home are steeper in 1965 than in 1955. Because of several differences in the two sets of data, however, we are not ready to conclude that there is a real difference in these income-expenditure relationships. One of these differences is our handling of the 1-person families. The 1-person households were classified by income in 1965, but not in 1955. Hence they are included in the 1965 curve only. Although expenditures have been adjusted to a standard family size of 3.5 persons, there may be diseconomies of scale in the purchasing and use of food by 1-person households that are not properly allowed for in the adjustment. Since 1-person households make up a large percentage of the low-income groups, the difference in treatment between the two surveys could be especially important at the lower end of the income scale.

A second cause of difference between the two sets of data that would affect income-expenditure relationships has to do with the permanent income hypothesis. Changes in the source of family income (and therefore in the year-to-year level of income) may have made for a classification in 1965 that deemphasizes the transitory component or the variable portion of family income and therefore more nearly measures families' purchasing power during the reporting period than in 1955. A slightly larger proportion of households are now headed by salaried professional and clerical workers and a smaller proportion by wage earners and self-employed. More important, perhaps, is the fact that more people have social security benefits and therefore relatively steady incomes. The food expenditures of such families are more likely to be directly related to their reported incomes than are those of families with considerable year-to-year variation in income. Families generally maintain their food expenditures even though there is fluctuation in their income. A curve showing food expenditures by income may be expected to be less steep for families with fluctuating income than for families with steady incomes.

A third source of possible differences in the income-expenditure relationship is the different method used in the two surveys in obtaining information from families about their incomes for the previous year. In 1955 we used a rather detailed questionnaire and asked for amounts of the various types of income. In 1965, in order to reduce interview time and refusals, we asked families to indicate which of several income groups they were in. Conceptually, the income definition in the two surveys is the same, but it is possible that the 1965 method results in more families being classified by their "usual," "average," or "normal" income. This income might tend to be less affected by temporary or transitory components than the income obtained by the 1955 method.

Other differences between the 1955 and 1965 data that need investigation concerns the composition of households at different income levels. A shift in the relative position in the income scale of teenagers with their high food needs may turn out to be important. Also of importance may be the greater proportion of elderly 1- and 2-person households maintaining their own house-keeping units. Such households have relatively small food needs.

At this time, before all the evidence has been investigated, it is too early to say whether there has been a real change between 1955 and 1965 in elasticity of food expenditures with respect to income. I have mentioned the differences we have noticed and some of the methodological problems involved in the investigation because I think many economists may want to use the survey data to compare income-consumption relationships.

In trying to use these data to arrive at a true elasticity coefficient to be used with time-series data, still other factors than the ones I have mentioned need to be taken into account. Those of you who are familiar with the "permanent income hypothesis" will realize that the elasticities computed from both sets of these survey data are low. Cross-sectional survey data generally rely on a year's income to classify families, whereas in reality one year's income may not be the best indication of purchasing power for many families. Using other techniques than we have used in our computation of the 1955 and 1965 data, Margaret Reid gets an elasticity for expenditures for food at home of about 0.5, based on data from the 1950 and 1961 consumer expenditure surveys and the 1955 food consumption survey 5/, somewhat higher than the 0.4 coefficient we have obtained for urban families in 1965.

Our chart shows clearly the difference between income elasticities of food at home and food away from home. In 1965, a 10 percent increase in income resulted in a 4 percent increase in spending for food to be used at home. A 10 percent increase in income resulted in a 10 percent increase in money spent on meals and snacks away from home. These are slightly higher than the coefficients of elasticity that were calculated from survey data collected in 1955 and in 1948 6/.

Summary and Conclusions

We have noted the following principal changes in food spending between 1955 and 1965:

A decrease in the proportion of farm family food that is home produced.

5/ Unpublished data. Margaret G. Reid, Department of Economics, University of Chicago.

6/ Food Consumption of Urban Families in the U.S., With an Appraisal of Methods of Analysis, Agriculture Information Bulletin No. 132.

- . An increase in food purchased by farm families for meals and snacks away from home.

- . Greater similarity between farm and urban food spending, but still some difference. The average total money value per capita food is about 20 percent lower for farm than urban families.

- . Smaller regional differences in food spending, with southern families especially spending more like the U.S. average although still less than this average.

- . Somewhat different relationships between expenditures for food and family income, although there is evidence that a number of differences in the two sets of data need to be investigated before any firm conclusion can be reached.

In this paper, I have dealt only with total spending and have not discussed the types and quantities of foods that families reported using. When the commodity and dietary data are available many additional studies will be made of changing patterns in our food consumption. We all look forward to the wealth of data in the publications that will start coming from the 1965 survey next year.

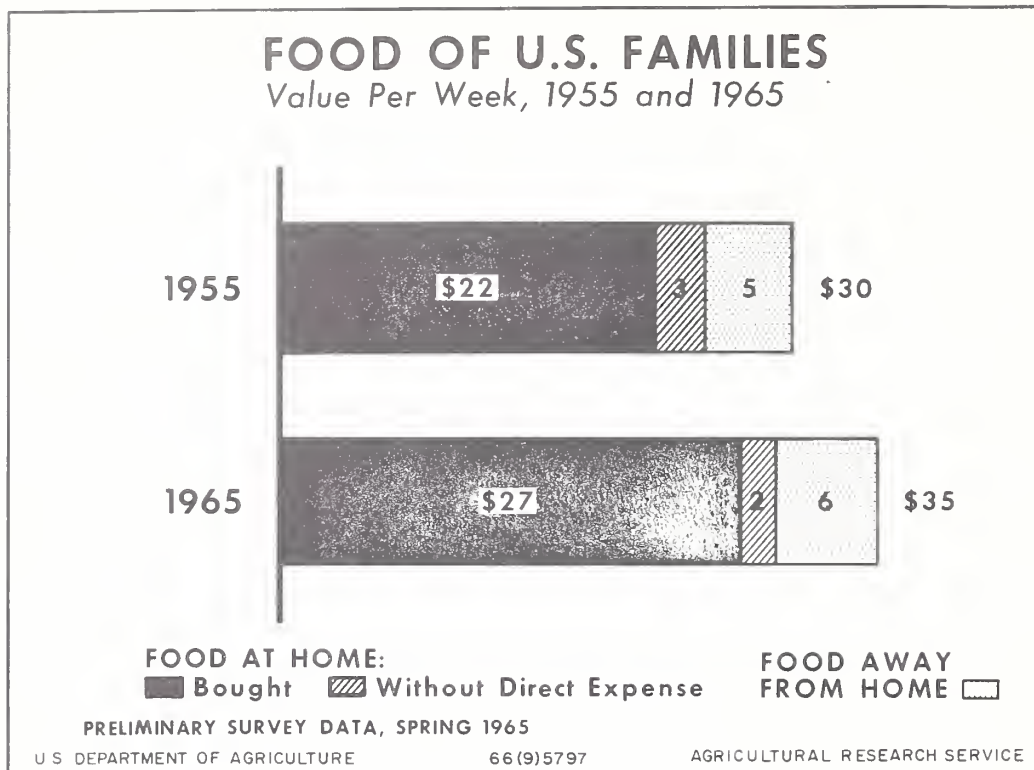


Figure 1

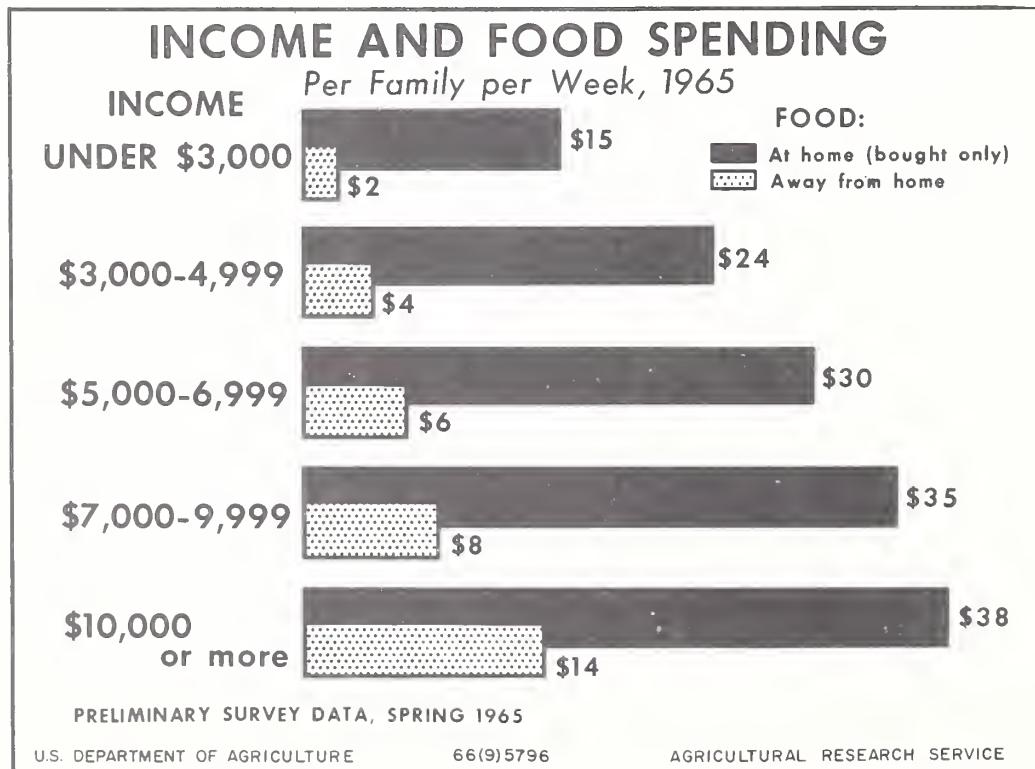
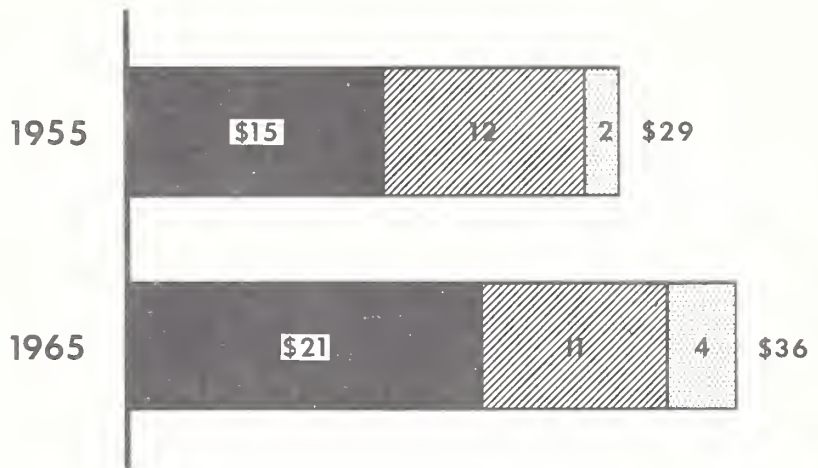


Figure 2

FOOD OF FARM FAMILIES

Value Per Week, 1955 and 1965



FOOD AT HOME:
 ■ Bought ▨ Without Direct Expense □ FOOD AWAY FROM HOME:
 PRELIMINARY SURVEY DATA, SPRING 1965

U.S. DEPARTMENT OF AGRICULTURE

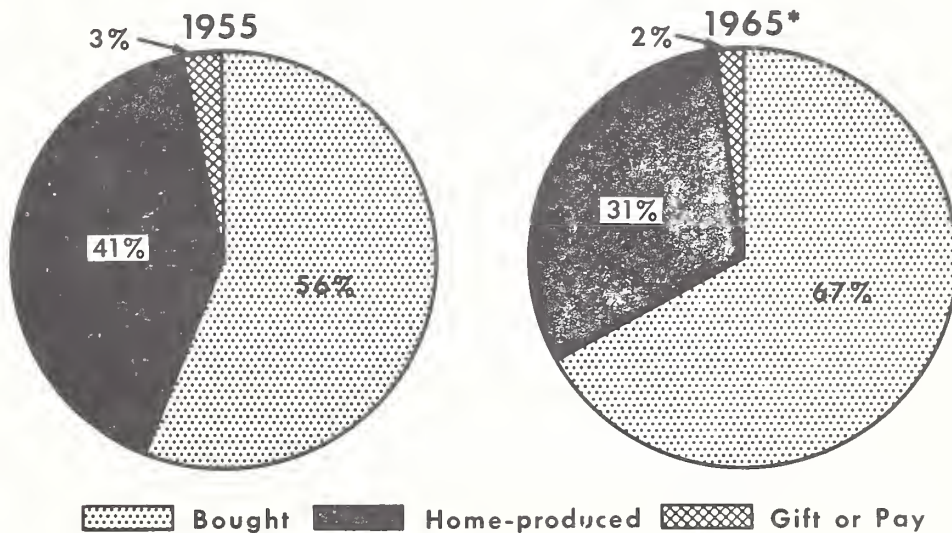
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AGRICULTURAL RESEARCH SERVICE

Figure 3

THE DOLLAR FOR FOOD AT HOME

Farm Families



*PRELIMINARY SURVEY DATA, SPRING 1965

U.S. DEPARTMENT OF AGRICULTURE

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AGRICULTURAL RESEARCH SERVICE

Figure 4

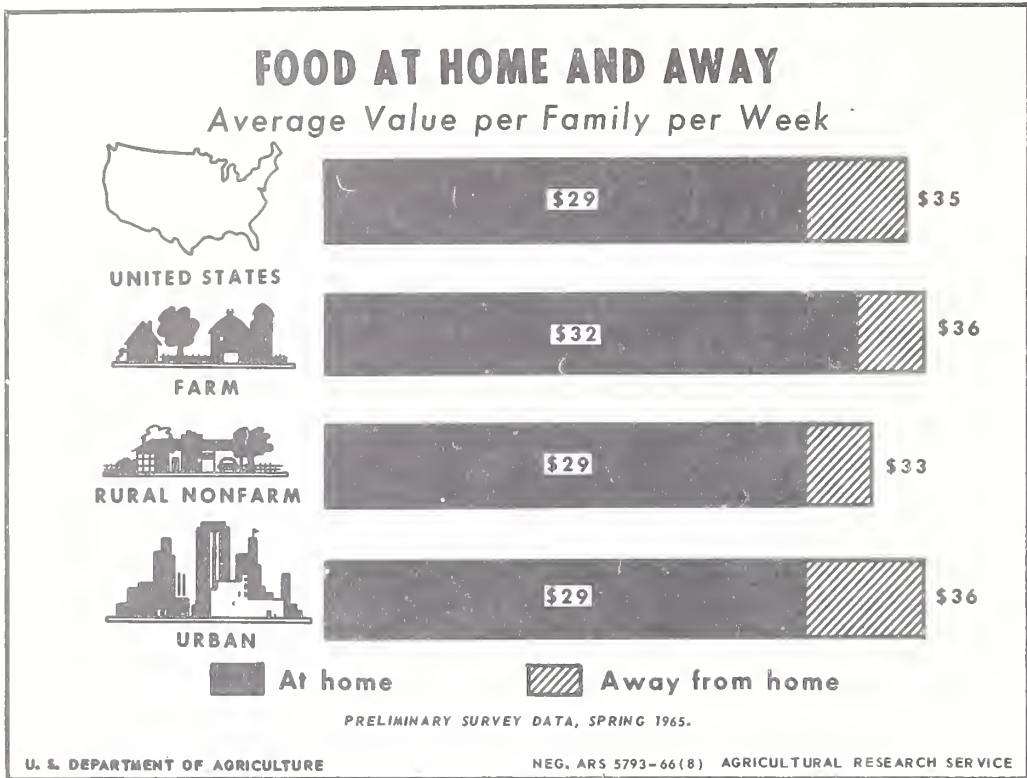


Figure 5

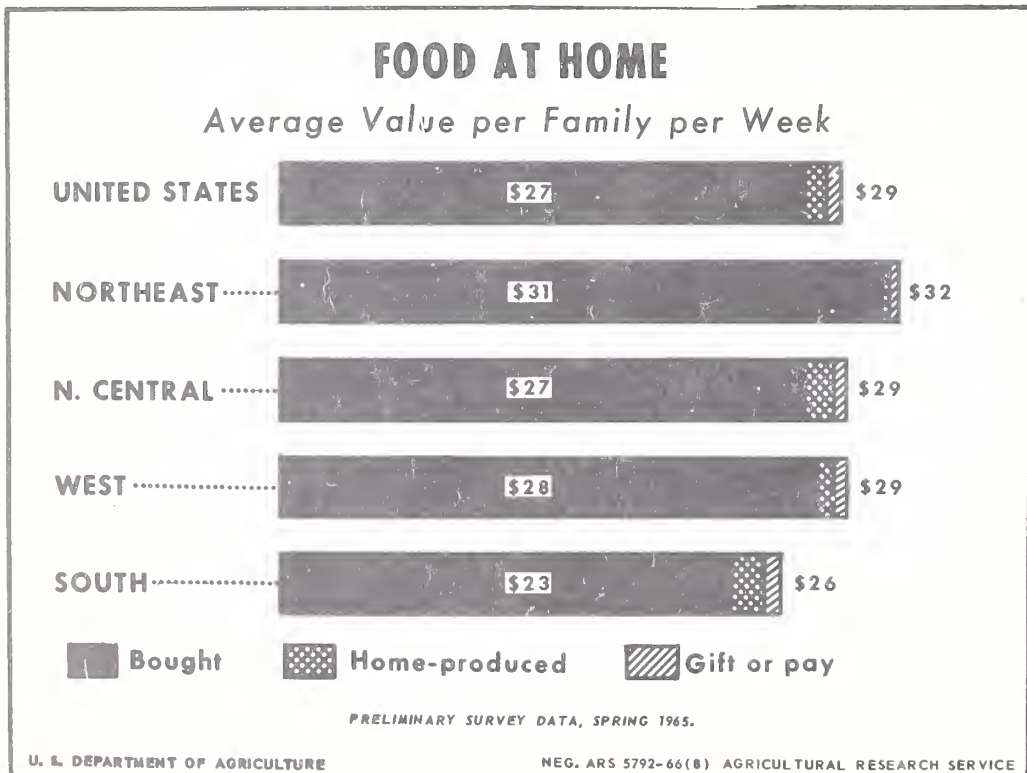


Figure 6

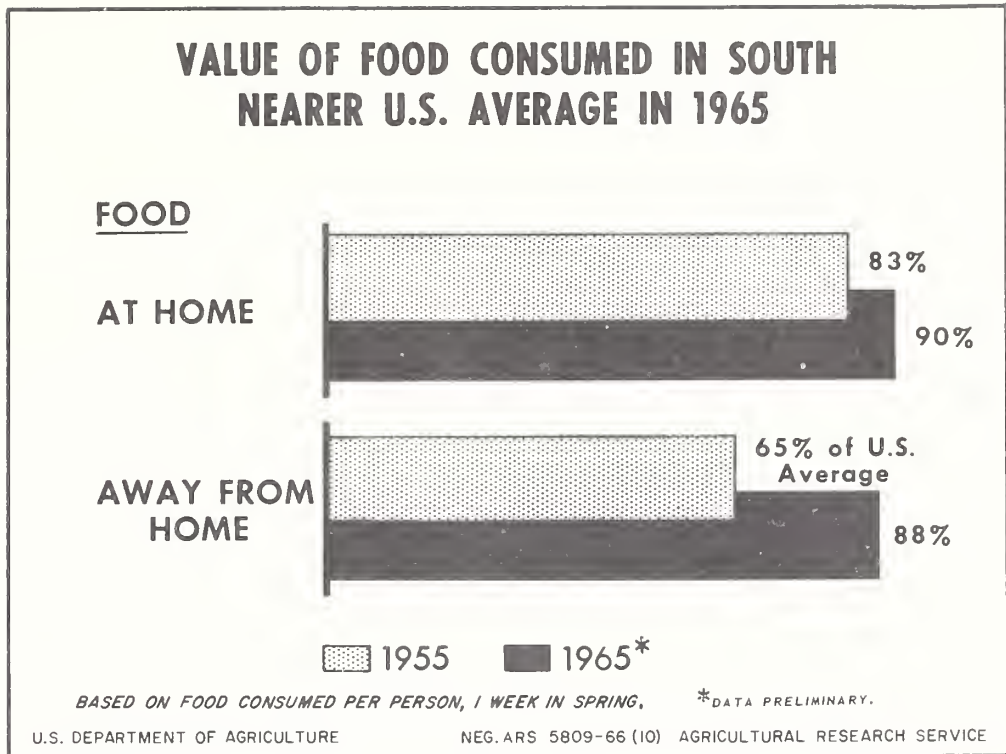


Figure 7

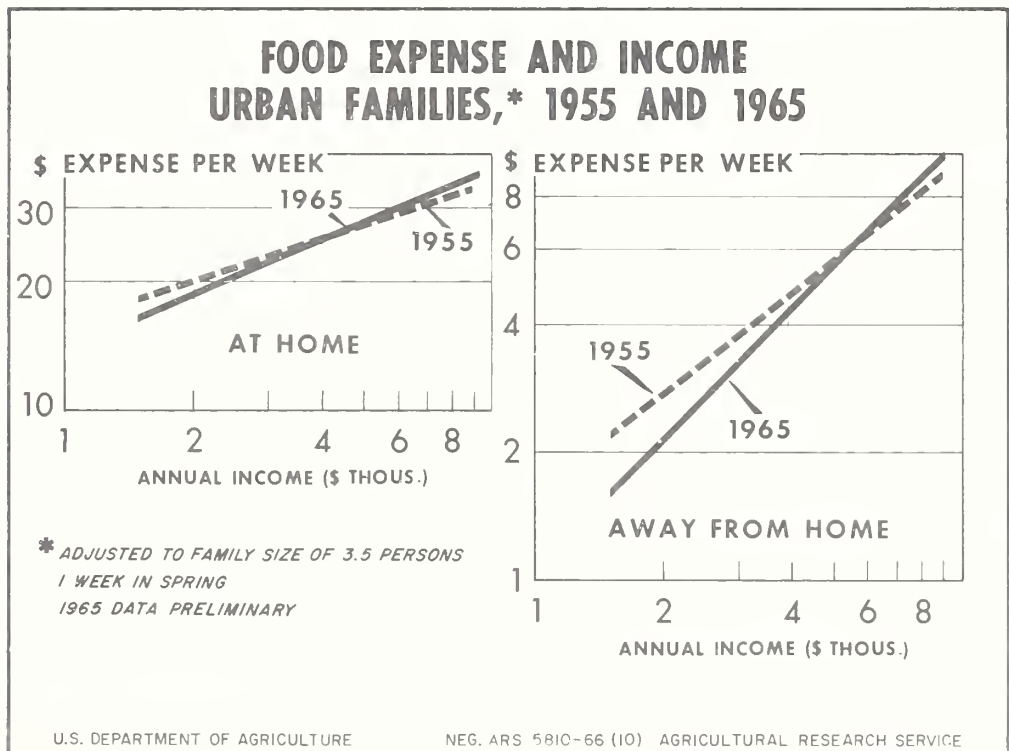


Figure 8

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Service

THE OUTLOOK FOR HOMEFURNISHINGS AND EQUIPMENT FOR 1967

Talk by Katherine Smythe
Consumer and Food Economics Research Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 2:20 P.M., Wednesday, November 16, 1966

Demand and Supply

The situation in 1966.--Consumers in 1966 have generally maintained a high level of demand for home furnishings and appliances, as well as for other consumer goods. Retail sales in furniture and appliance stores were about 11 percent higher during the first 7 months of 1966 than in the same period of 1965. The increase was due mainly to sales in household appliance and TV stores, which were 18 percent higher than a year earlier. Sales in furniture and home furnishings stores were 8 percent higher. 1/

Personal consumption expenditures for furniture and equipment--another indicator of demand for these items--were at an annual rate of \$29 billion the first 6 months of 1966, up 13 percent from the \$26 billion reported by the Commerce Department for the first 6 months of 1965. However, second quarter expenditures fell somewhat in 1966 instead of rising as in 1965, possibly because of the lag in homebuilding. Expenditures for furniture and equipment took fractionally higher percentages of personal disposable income in 1966 than in 1965, as the following quarterly figures show: 1/

<u>Quarter of year</u>	<u>Percent of personal disposable income for furniture and equipment</u>	
	<u>1965</u>	<u>1966</u>
First -----	5.7	6.0
Second -----	5.7	5.8

Higher incomes as well as increased population are reflected in the higher expenditures for furniture and equipment in 1966. The median money income of U.S. families was 5 percent higher in 1965 than in 1964. 2/ This represented a 3 percent rise in buying power, after taking the increased price level into account. Incomes have continued upward in 1966, according to the Commerce Department's figures on disposable personal income, although the rate of growth

1/ Survey of Current Business, Sept. 1965 and Sept. 1966.

2/ Current Population Reports, Consumer Income, Series P-60, No. 49, August 10, 1966.

slackened somewhat in the second quarter. Average hourly earnings in manufacturing increased almost 4 percent from August 1965 to August 1966. 3/ Employment has been high, with unemployment down from 4.5 percent of the labor force in August 1965 to 3.9 percent at the same time in 1966. 3/ High and rising incomes and levels of living naturally mean relatively high expenditures for consumer durables--home furnishings and appliances as well as automobiles.

Even though incomes were high--or perhaps because they were high--consumers continued to make liberal use of installment credit in 1966. The amount of credit extended for consumer goods other than cars during the 7-month period, January through July, was about 14 percent higher in 1966 than in 1965. 4/ Although credit extended in each of the 7 months was higher in 1966, the amount of gain over the same month of 1965 was smaller in May through July than it had been earlier in the year. Consumers owed \$2.3 billion more for these goods at the end of July 1966 than a year earlier. They also owed \$2 billion more on personal installment loans, some of which are used for home furnishings and equipment.

Reports indicate that some lenders have been more restrictive than usual in their lending policies, because of the scarcity of loanable funds and the high interest rates. The higher interest rates have had little effect on installment credit charges so far, since many lenders are already charging the legal maximum and many retailers prefer to maintain their old rates. 5/

The Census Bureau's survey of consumer buying intentions, conducted in July, indicated that many families planned to buy household durables during the last 6 months of 1966. 6/ The proportion intending to buy one or more of the seven items they were questioned about was somewhat higher than in July 1965 (18.7 percent compared to 17.2 percent). More planned to buy TV's, air conditioners, clothes dryers, washing machines, and radio and phonograph equipment; about the same proportion as in 1965 planned to buy dishwashers and fewer planned to buy refrigerators. The proportion of families intending to buy the listed durables ranged from 5.5 percent down to 1.2 percent, in this order: Washing machines, TV sets, refrigerators, dryers, radio and phonograph equipment, air conditioners, and dishwashers. The number of items to be bought was considerably higher among young than older families.

Supplies of most household durables in 1966 were ample to meet demand. However, shortages of labor and of materials used in manufacturing some products have slowed deliveries.

3/ Employment and Earnings and Monthly Report on the Labor Force, Bureau of Labor Statistics, U.S. Department of Labor, Sept. 1966.

4/ Federal Reserve data.

5/ Federal Reserve Bulletin, June 1966.

6/ Bureau of the Census, CONSUMER BUYING INDICATORS, Series P-65, No. 15, August 1966.

Production of household durables was higher in the first 7 months of 1966 than in the same months of 1965 (table 1). Production of TV sets and home radios, as measured by seasonally adjusted monthly indexes, was 19 to 28 percent higher during the first 6 months, but dropped off during July to 6 percent above the year earlier level. The monthly index of production of appliances was 8 to 14 percent higher in 1966 than 1965, except in March when it was slightly below the 1965 level. Unlike TV and radio, appliances reached their highest production level of the 7-month period in July. Monthly production indexes for furniture and rugs maintained a fairly steady 7 to 11 percent lead over the corresponding months of 1965.

Some shortages of materials used for consumer goods have been reported because of increases in military set-asides. The most serious shortages so far are for wood, copper, aluminum, and steel. Early this summer the TV industry reported shortages in color TV tubes and wood for cabinets which probably accounted for the production drop in TV's and home radios in July. As the draft has pulled men out of the labor force shortages of skilled labor have occurred which has had some effect on the production of consumer goods. The moving of materials and finished consumer goods has been slowed as transportation facilities are used for the military.

The outlook for demand and supply in 1967.--Some indicators point to a continued high level of demand for household durables in 1967. Incomes can be expected to rise as new wage contracts are signed, price increases activate escalator clauses in wage contracts, and the new minimum wage law goes into effect. Unemployment will probably be kept low as the military draws on the labor force. New family formations will be at a high level, since post-World War II babies are now reaching marriageable age. These many new families will be in the market for furniture and appliances for their first homes.

Some possible developments that might dampen the enthusiasm of consumers for buying furniture and appliances are rising prices, higher income taxes, and credit restrictions. Although price increases are expected, they are not likely to be so great as to discourage buyers to any great extent. And although higher personal income taxes and restrictions to curb the use of installment credit have been talked about, there is no indication that they will actually be put into effect.

Progress in military requirements will be the determining factor in production of consumer durables in 1967. Set-asides of materials already in short supply are likely to increase, as are shortages of skilled labor. So far there is no indication that the supply of household durables will be seriously affected.

Prices

Prices in 1966.--Prices of housefurnishings, as measured by the Consumer Price Index, have been an exception to the steady upward movement of prices in

general that has occurred in recent years (chart 1). ("Housefurnishings" as used in the CPI includes furniture and bedding, appliances, household textiles, floor coverings, and miscellaneous housefurnishings.) In June 1966, the housefurnishings index was about 1 percent below the 1957-59 level, while the Consumer Price Index for all items was about 13 percent above (table 2). The housefurnishings index rose by 0.8 percentage point during the 6 months between December 1965 and June 1966, after declining 0.4 percentage point the previous 6 months because of the excise tax cut.

The index of prices for appliances has declined steadily since 1960 (chart 2), and has been responsible for keeping the housefurnishings index below its 1957-59 level. In June 1966, the appliance index was 84.3, about 4 percent under its June 1965 level. This decline reflects price decreases of about 8 percent for radios, 7 percent for television sets, 5 percent for refrigerators, 3 percent for ranges, and smaller decreases for other appliances (table 2). The industry cites improvements in production know-how and technology as reasons for the decline.

Lower price indexes for appliances do not necessarily mean that the consumer can expect lower prices on the appliances she buys. A decline in the index indicates that a model of a certain quality would sell for less, on the average, at the later than at the earlier date. However, the models offered for sale in one year may not be the same as those offered the previous year. They may have higher styling, different materials, and more features--and higher prices.

The subgroups other than appliances that comprise the housefurnishings index are generally showing slight to moderate advances. The furniture and bedding index for June 1966 was 105.2, slightly more than 2 percent higher than in June 1965. Furniture suites--living room, dining room, and bedroom--and upholstered sofas increased in price more than the other items, such as lounge chairs, boxsprings, and hollywood bed sleep sets. The index for household textiles was at 103.6 in June 1966, up 1 percent from June 1965. Sheets and bedspreads showed little or no change; drapery fabrics and curtains gained about 2 percent. The overall index for floor coverings, which was 101.7 in June 1966, changed little over the past year. Hard surface rugs gained a little more in price than soft surface rugs and vinyl tile floor coverings.

Outlook for prices in 1967.--The consumer can expect prices to be somewhat higher in 1967. General trade comment indicates that the hard goods home furnishings items will have higher price tags, since price rises at the manufacturing and wholesale levels will be passed on to the consumer. 7/

Increases predicted for furniture (both case goods and upholstered furniture) range from 1 percent to 5 percent with an average of about 4 percent. Higher production and material costs are cited as reasons for the increases.

7/ Home Furnishings Daily.

Labor costs will rise as workers get upward adjustments in wages and salaries, and the new minimum wage scale of \$1.40 per hour becomes effective in February. Higher prices of furniture and cabinet woods, which increased this past year by about 20 percent, will be reflected in 1967 price tags.

The trade has predicted that prices of major appliances will be up about 3 percent, mainly as a result of increases in costs of raw materials such as copper, aluminum, and steel. Cost increases for wood cabinets will contribute to price rises of color television consoles.

The soft goods home furnishings items so far show no indication of price rises, but may be affected by the rise in labor costs in 1967.

New Products

Imagine, a TV that can be turned off and on, tuned and adjusted by a wave of the hand; a temperature-sensitive oven that cooks to perfection; a washer-dryer combination machine that cleans the clothes, discards the water, dries the clothes, and turns off when the correct dryness is reached; a central air conditioning and heating system that not only senses room temperature, but controls air flow and humidity; a home computer that will automatically keep your bank account and household budget up to date, work out your tax return, keep stock of household supplies, and decide on the best way to store food in the refrigerator. Sound impossible? These products, and others similar to them, may soon be made possible with solid state systems.

A Anspace age development, solid state systems have recently been introduced into the appliance and consumer electronics fields. In mid-1966 a television set and a clock radio were produced using integrated circuits (a solid state device). In 1967 appliance lines, solid state systems are providing washing machines and small appliances with variable speed controls, clothes dryers with sensing devices that shut off the machine when the correct dryness is reached, dishwashers with devices that adjust time and cleaning power according to the job size, and gas ranges with ignition devices that make the pilot light obsolete.

In a solid state system the functions of many separate electro-mechanical operations are combined into electrical circuits which are incorporated into one solid chip of silicon. These chips are sometimes no larger than the head of a pin, but each can perform the work of many vacuum tubes or transistors in electronic equipment or many electro-mechanical devices in appliances. Solid state systems make it possible to reduce the weight and size of home electronic equipment and the electronic controls in appliances while increasing reliability and ease of operation. Deterioration with age is almost eliminated and repair requirements are low. Some warranties on solid state products are for as long as 3 years.

So far, production of home appliances and equipment using solid state is limited, but is expected to increase substantially within the next few years. Once in mass production solid state devices will make available to the consumer a variety of new designs and features for equipment at reasonable prices.

Laser light beams may some day have application in home appliances and electronic equipment. A solid state laser beam is being developed as a home meat carver, automatically searing the meat as it cuts to keep in the juices. TV systems are being developed using laser beams and high-frequency sound waves to replace the ordinary TV tube. This would produce a larger picture with a smaller unit. The industry estimates that 5 to 10 years of research are needed before laser beams in home appliances and equipment will become a reality.

Thermoelectricity, which produces heat or cold by passing electricity through two dissimilar materials, is expected to influence the appliance market within the next 5 years. An early application is expected to be in electric housewares, such as a pitcher for cooling or maintaining the temperature of its liquid contents. The greatest use of thermoelectricity for major appliances is expected to be in room air conditioners, greatly reducing their weight and noise.

Plastics are being used more and more for appliances and home furnishings. Price reductions plus technological advances in plastics have made it possible for manufacturers to substitute them for steel in appliances and for wood in furniture. Frequently one molded plastic part can replace several metal parts, resulting in cost savings in materials and labor. Plastic is now used for liners in refrigerators, refrigerator doors, washing machine tubs, and as a housing for air conditioners.

Many new products in 1967 will be more colorful, better designed, and provided with more convenience and luxury features than the old. The home furnishings and equipment industries are set to cater to what they call the "new consumer," with products designed to appeal to the educated, the fashion-conscious, and the quality-conscious.

Television.--Color TV is the pride and joy of the consumer electronics industry again this year. Color promotions started early, led by the news that nearly 100 percent of prime-time programs for the 1966-67 season would be in color, with many daytime shows in color also. Sales of color TV rose from 0.1 million sets in 1960 to 2.7 million in 1965. If no serious shortages in materials develop, the industry expects to sell 5.5 million color sets in 1966, 7.5 million in 1967, and 10 million each year from 1968 through 1970. Color TV is expected to outsell black and white by 1968. Sales of black and white sets totaled 8 million in 1965, and are expected to remain at about this level for the next few years.

Color TV sets range in price from about \$350 to \$1,050, and the medium price range is between \$525 and \$650. Prices are a little higher than a year ago. However, a downward price movement is expected as volume of production grows and production costs are reduced by using transistors and integrated circuits. Rectangular 23-inch and 25-inch screen sizes have been the most popular in color sets. Manufacturers' lines are growing longer; some are offering as many as 38 different models in color.

Developments in the near future will include automatic frequency control, automatic color control, and upgrading of furniture cases. Further in the future we may expect TV's an inch in thickness, wall-hanging color TV sets, and pocket size sets measuring 3 by 4 inches. Color TV's with three dimensional pictures using laser beams and integrated circuits are in the experimental stage, but may be available within the next decade.

Most of the color sets being sold are consoles. Customers are demanding the fine and hard-to-get woods for their sets, which is a problem because of wood shortages. Investigation is underway to find materials to substitute for wood.

Television seems to be considered by many consumers almost as much a necessity as a refrigerator and a kitchen range. According to the Census Bureau, 92 percent of U.S. households had TV sets in August 1965, and 20 percent had two or more sets. 8/

The trend for black and white TV prices has been downward. Prices may rise a little as manufacturers begin using integrated circuits but are expected to fall as mass production of these circuits is achieved. The portable black and white TV is becoming a household staple. By 1970 the black and white TV's sold are expected to be almost entirely portable--and really transportable as size decreases.

"Tinyvision" (screen sizes 14 inches or less) seems headed for a big future. These small sets are expected to account for 20 percent of all black and white sales in 1966. Prices average from \$100 to \$120 for black and white tinyvision sets but are expected to come down. A \$50 small screen portable TV may become an impulse item in 2 or 3 years. It will appeal to radio's biggest consumer group--youth. A new set was just introduced in England which has a two-inch screen, measures 4 by 2.5 inches, weighs 10 ounces, has a 15-inch collapsible antenna, and can easily be carried in the hand or pocket. It retails for about \$143.

Laundry equipment.--With top-of-the-line features appearing in many of the lower priced washing machines, customers can expect good value in laundry equipment in 1967. Prices are generally comparable with those of the 1966 lines. Volume selling is centered around \$200, but higher priced models are becoming increasingly popular.

8/ U.S. Department of Commerce, Current Housing Reports, Series H-121, No. 12, January 1966.

The biggest news in washers and dryers is the introduction of a durable-press cycle. In the washer it is basically the same as the wash-and-wear cycle, so the design of the machine has not changed much. The agitator and spin speeds have been slowed, and a cool-down cycle has been added before spinning to prevent the setting in of wrinkles. A cool-down period is also present in the dryer. Some dryer models have a warning device to tell the user when the durable press cycle is finished so she can hang or fold the garments immediately to avoid wrinkling.

A dryer helps to do a good job of laundering durable press fabrics because the heat relaxes the fibers and returns them to their original state. Labels on durable press items frequently specify "tumble dry." However, some manufacturers hesitate to use such labels for fear of losing business among customers without dryers. They say that most wrinkles will hang out of heavy-weight garments after washing, and only light touch-up ironing will be needed.

Additional features on 1967 washer models will include: Automatic dispensers for detergent and rinse additives; porcelain finishes that won't rust, stain, or snag; teflon-coated drums that will not scratch garments; cold water wash cycles; water savers; water level adjustments for various size loads; numerous combinations for wash and rinse water temperatures. Pressure fill washers will be offered for areas where water pressure is low, and some washers will come equipped with a water conditioner for use in areas with hard water. Not all of these features are new, but they are being incorporated into more machines and becoming available at prices more consumers can afford.

The use of electronic sensing devices (solid state) in laundry equipment is making possible a great variety of speeds, and a reduction in size of washers and dryers without a reduction in capacity. Some dryers are using these devices to measure moisture content of garments and to turn off the machine when the garments are dry. More conventional and less costly techniques of controlling drying cycles and providing variable speeds are being refined also.

The capacity of washing machines is changing in both directions. Many manufacturers are building units to handle bigger wash loads. One has introduced an 18-pound unit. Another has introduced a unit with a slightly faster spin and a flexible agitator to accommodate larger loads. Many small washers for small households and small apartment kitchens are appearing in manufacturers' lines. These machines are estimated to save about 3,900 gallons of water and 65 pounds of detergent annually per family. They will also save on the gas or electricity needed to heat the water, and on operating time. 2/

Vacuum cleaners.--A new shop-type vacuum cleaner designed for heavy duty purposes--garages, patios, fireplaces--has been added to the types of vacuums available for the home. The homemaker can now choose from five types of vacuums--the upright, the canister, the lightweight, the portable, and the shop-type vacuum.

Many 1967 lines will be featuring variable speeds on the canister type vacuum cleaner. This will permit step-down speeds for above-the-floor cleaning jobs such as draperies.

Canister vacuum cleaners that will float on air for easy maneuverability, are in the experimental stage. The air exhaust is directed under the canister, lifting it just slightly off the floor. Critics of this feature say it merely blows the dust and dirt away from the vacuum cleaner.

Battery-operated cordless vacuum cleaners for the home are still in the developmental stage. The amount of energy needed to operate this cleaner limits the length of time it can be used before it must be recharged. The industry is, however, trying to improve the efficiency of the vacuum to eliminate this problem.

The trend to decorative vacuum cleaners is being stepped up, since consumers are asking for brighter colors and upgraded styling. In a recently-introduced model the vacuum is hidden inside a hassock. It is a self-contained unit on casters that can be left in the room when not in use. With the hassock type cleaner, the need for storage space is eliminated and the vacuum is ready for use immediately. The retail price is about \$90. The weight of the unit limits its mobility especially up and down stairs. Though this idea has been tried before without success, the industry is optimistic about its acceptance, especially by apartment dwellers or consumers who need several vacuum cleaners for their homes.

Ranges.--Ranges with self-cleaning or easy-cleaning features are coming into the market with prices low enough for many consumers. Removable teflon-coated panels for easy oven cleaning are being offered by gas range manufacturers to compete with the self-cleaning ovens on electric ranges. The teflon panels will also be found on some electric ovens.

Although the industry is working on electronic cooking, problems still exist: Servicing, consumer and dealer education, and price. Manufacturers think that consumers will pay in the \$500 to \$600 range for electronic ovens. Prices are still around \$800 but are expected to fall as production increases. Recently electronic ranges have been included in some new custom homes selling for \$35,000.

One manufacturer has introduced a "counter that cooks"--a range with an opaque glass ceramic top. The surface is smooth and even, minimizing the chore of cleaning. The surface is marked with designs over the heating areas. The heat does not radiate beyond the design, so the perimeter of the range top is cool. Its price--\$350. Special pots and pans have been developed for use with the range. Regular pans can be used but they do not heat as efficiently as the special ones.

Features found more frequently on the 1967 line of ranges will include: Lift-off oven doors; hinged and lift-off range surface tops; oven and surface indicator lights; disposable oven bottoms; and plug-in surface units. Also

found on some ranges will be automatic temperature controls on surface units, that maintain pre-set temperatures and won't allow food to burn.

Refrigerators.--Refrigerators in 1967 will stress improvements in existing features rather than the addition of new ones. There will be more settings on temperature controls, more shelf variations, and more new colors to choose from. More crispers and meat keepers will be offered on lower priced models than previously. Much of the emphasis will be on large units of 16 or more cubic feet. The largest refrigerator offered at present is a 30-cubic-foot unit. No-frost refrigerators, which now account for about 50 percent of sales, may well be the standard refrigerator of the future. Refrigerators equipped with automatic ice makers are also growing in popularity. They may soon come with ice dispensing mechanisms so the housewife will not need to open the refrigerator for ice.

With the refrigerator getting bigger and bigger the next step may be to divide it into smaller parts. Modular refrigerators are expected to be on the market before 1970 and in the mass market in the 1970's. Kitchen cabinets would be insulated so the homemaker could refrigerate as many as she wished and have them installed near the places where they would be used most. For example, a freezer cabinet especially for meat could be placed next to the range, a cabinet with ice trays for drinks near the sink, and a small refrigerator cabinet for medicine and evening snacks in a bedroom night table.

There is also increased interest in portable refrigerators. Small units powered by batteries are used for camping, picnics, and other family activities. Tiny units that plug into the car battery may be available soon. They would be especially suitable for use on long trips.

Furnishings.--Contemporary is the most popular style for bedroom and occasional furniture, and early American is the favorite in the dining room. In overall popularity, contemporary, early American, and Italian Provincial are at the top. Spanish-Mediterranean furniture, which was the big seller in 1965 and early 1966, is still popular with the American consumer, but the 18th century English (traditional) and the formal French furniture are losing in popularity. These were the findings from the Home Furnishings Daily Annual Case Goods Survey of furniture and department stores. ^{10/} The survey also showed that cherry is the most popular wood. It is used in Italian provincial and formal French furniture. Maple is most popular for early American furniture, and walnut is a must for contemporary furniture. Suites are accounting for most of the sales in bedroom furniture, but are declining in popularity for dining rooms. Demand is growing for dining tables and chairs sold separately without matching cupboards and cabinets. Armoires and curio cabinets are items with big appeal in occasional furniture.

^{10/} Home Furnishings Daily, September 16, 1966, pp. 12-15.

Textured fabrics, real or synthetic furs, shags, and deep piles will be shown in floor coverings and upholstery fabrics in 1967. They are being promoted mainly for use with the contemporary furniture styles. Scatter rugs and braided rugs are gaining in popularity as the emphasis switches away from broadloom to area rugs.

The formal and elegant look in floor coverings and household fabrics will be featured for use with the formal French and English styles of furniture. The formal look will be given to floor coverings by Oriental-type rugs and formal area rugs, and to upholstery and draperies by velvet, silks, antique satins, and brocades.

The use of plastics in furniture is increasing as a result of wood shortages and the high cost of carving wood. Plastics are being used as finishes, veneers, laminates, and moldings. Molded plastics are replacing wood in traditional furniture styles with intricate patterns and carving effects. New methods for finishing and varnishing synthetic woods have resulted in products that look so much like natural woods that most consumers can't tell the difference. Plastic used in furniture does not warp, break, scratch, or have the irregularities of wood which gives it advantages for production as well as for home care. It is cheaper than wood and can bring good furniture within the price range of more consumers. Consumer acceptance of plastic in furniture may be slow in developing, but plastic is here to stay. The use of plastic vinyl for upholstery, especially suitable for families with young children, is increasing also.

Durable press, which did not make the big splash in housefurnishings that it did in apparel, is growing in acceptance. It will be available in 1967 in curtains, draperies, bedspreads, sheets, and tablecloths.

Thin fibers of stainless steel are being blended with conventional textile fibers for household use. The metal fibers are said to eliminate static from nylon and acrylic carpeting and upholstery, and may eventually be used in "heat conductive" carpets, curtains, and draperies.

New bonded backings for loosely-woven fabrics have made possible a wide range of textures and designs for household textiles. Also new are circular knit fabrics with unique stretch properties for upholstered furniture. They are of processed nylon yarns, and can be molded around corners for perfect fit. An acrylic backing limits the amount of stretch to prevent sagging.

In floor coverings, "all weather carpeting" or "wall-to-wall-lawn" is becoming very popular. Dealers think that customers may soon prefer this to resilient flooring. Most is made of polypropylene olefin fiber with a non-woven surface. It is priced about \$5 a square yard, compared with the \$10 average for regular house carpeting. It resists water, staining, sunlight, mildew, rotting, and freezing. It has a wide variety of outdoor and indoor uses, as in kitchens, bathrooms, playrooms, patios, and playgrounds.

The newest thing in resilient flooring is sheet vinyl room-size rugs. They are inexpensive enough to change with the seasons or to set down for festive moods, and may someday be cheap enough to be in the disposable category.

Table 1.--Indexes of production of consumer household goods, 1961-1966
(1957-59 = 100)

Year	Home Goods Total	Appliances	TV & Home Radios	Furniture and Rugs	Miscellaneous Home Goods
1961	112.2	110.7	107.8	112.8	114.5
1962	122.2	121.4	109.2	123.9	125.7
1963	129.6	130.6	109.5	131.3	133.6
1964	141.1	141.1	125.7	142.4	144.7
1965	154.7	153.3	149.8	154.2	158.0
Jan.	150.8	149.2	132.9	150.6	157.9
Feb.	151.9	150.8	134.8	152.6	157.5
Mar.	153.1	152.3	137.9	152.7	158.9
Apr.	151.4	151.7	134.7	152.0	155.8
May	151.8	150.9	137.9	154.4	154.7
June	151.3	152.1	139.2	153.5	152.6
July	151.2	148.4	141.3	154.0	154.4
1966					
Jan.	165.7	163.2	170.0	163.3	168.6
Feb.	166.2	163.1	161.7	164.0	171.2
Mar.	164.1	150.6	170.0	165.5	173.1
Apr.	168.2	167.9	166.1	166.3	170.6
May	169.5	165.5	168.0	169.1	173.9
June	168.8	165.2	166.3	170.1	171.6
July	167.0	169.2	149.8	165.5	171.7

Monthly data seasonally adjusted.

Source: Federal Reserve data.

Table 2.--Consumer Price Indexes for all items and for selected housefurnishings
(1957-59 = 100 unless otherwise specified)

Item	June 1961	June 1965	June 1966	Percent change	
				June 1961	June 1965
				to June 1966	to June 1966
CPI - All Items	104.0	110.1	112.9	8.6	2.5
Housefurnishings	99.8	98.2	98.6	-1.2	.4
Furniture and bedding <u>1/</u>	101.5	102.9	105.2	3.6	2.2
Living room suites	101.2	105.6	108.3	7.0	2.6
Dining room suites <u>2/</u>	106.8	102.8	106.1	0.7	3.2
Bedroom suites	97.7	100.1	103.4	5.8	3.3
Lounge chairs <u>2/</u>	n.a.	99.3	100.3	n.a.	1.0
Sofas, upholstered <u>2/</u>	n.a.	98.9	101.7	n.a.	2.8
Sleep sets <u>2/</u>	n.a.	99.6	100.0	n.a.	0.4
Floor coverings	n.a.	101.4	101.7	n.a.	.3
Rugs, hard surface	n.a.	105.0	105.6	n.a.	.6
soft surface	100.1	100.6	100.9	0.8	.3
Tile, vinyl <u>2/</u>	100.1	98.9	99.0	-1.1	.1
Textiles <u>3/</u>	101.7	102.6	103.6	1.9	1.0
Sheets	102.3	103.8	104.3	2.0	0.5
Curtains	97.2	100.2	101.7	4.6	1.5
Bedspreads	109.5	105.3	105.3	-3.8	0.0
Drapery fabric	102.0	104.8	107.1	5.0	2.2
Appliances <u>4/</u>	96.6	88.0	84.3	-12.7	-4.2
Washing machines	93.1	86.9	85.9	-7.7	-1.2
Vacuum cleaners	93.1	80.4	79.5	-14.6	-1.1
Refrigerators	95.9	87.2	82.8	-13.7	-5.0
Ranges	96.3	94.8	92.1	-4.4	-2.8
TV sets <u>5/</u>	99.2	88.0	82.2	-17.1	-6.6
Radios <u>5/</u>	95.3	85.4	78.8	-17.3	-7.7
Clothes dryers	n.a.	98.3	94.7	n.a.	-3.7

1/ Also includes: boxsprings, dual purpose sofas, aluminum folding chairs, and cribs.

2/ December 1963 = 100.

3/ Also includes: bedpillows and slipcovers.

4/ Also includes: air conditioners, garbage disposal units.

5/ Included in index for "all items" and "appliances" but not for housefurnishings.

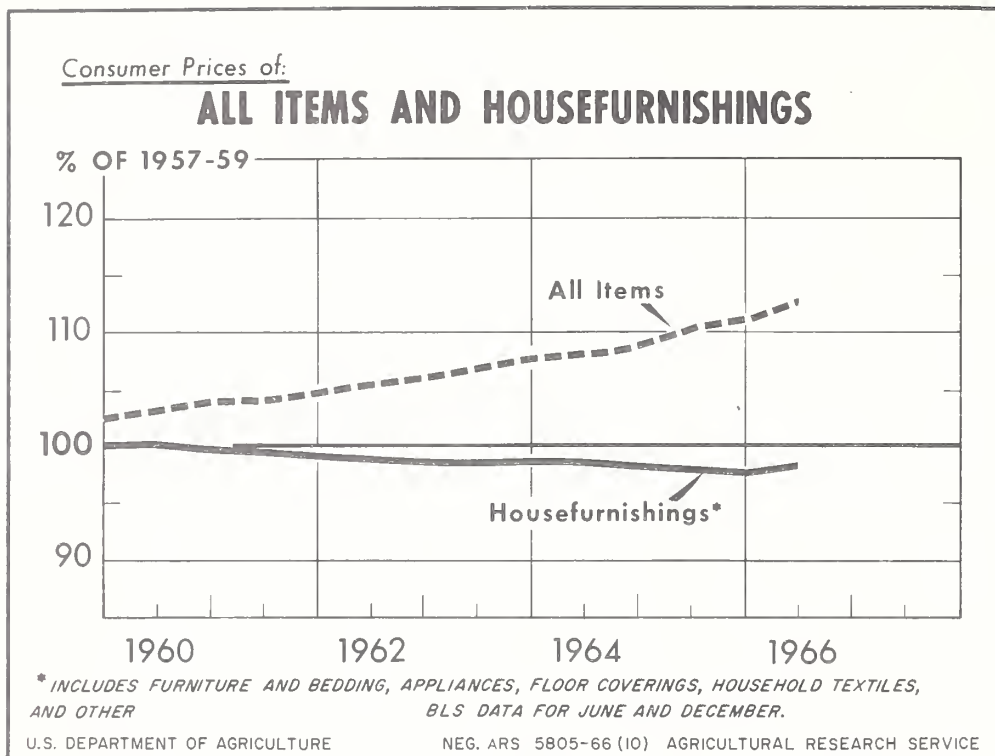


Chart 1

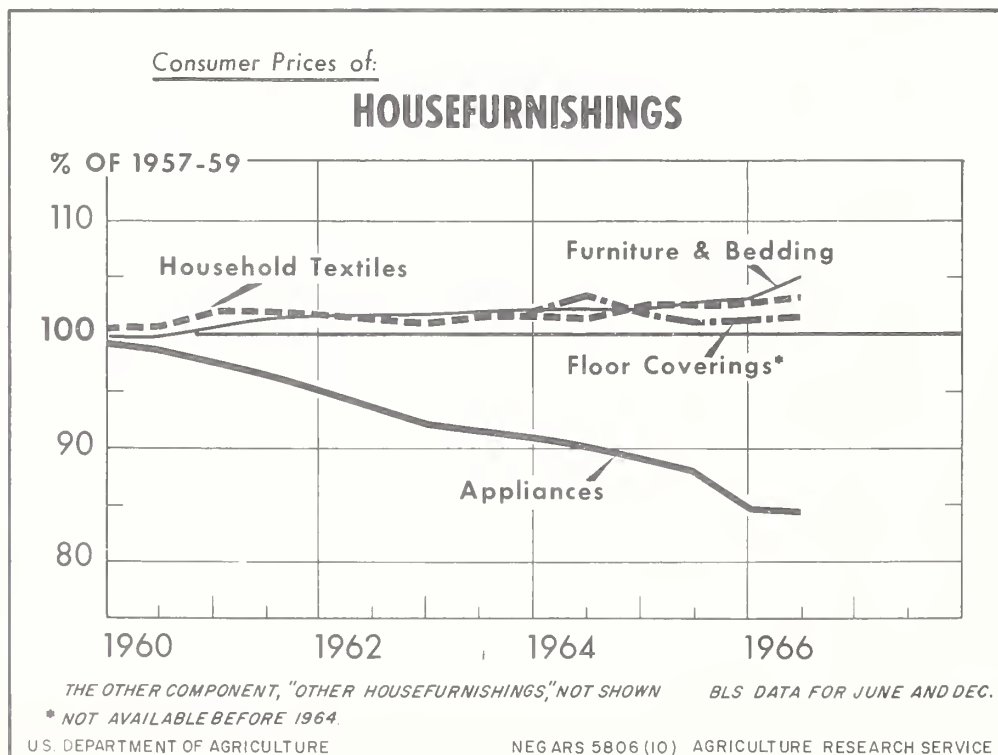


Chart 2

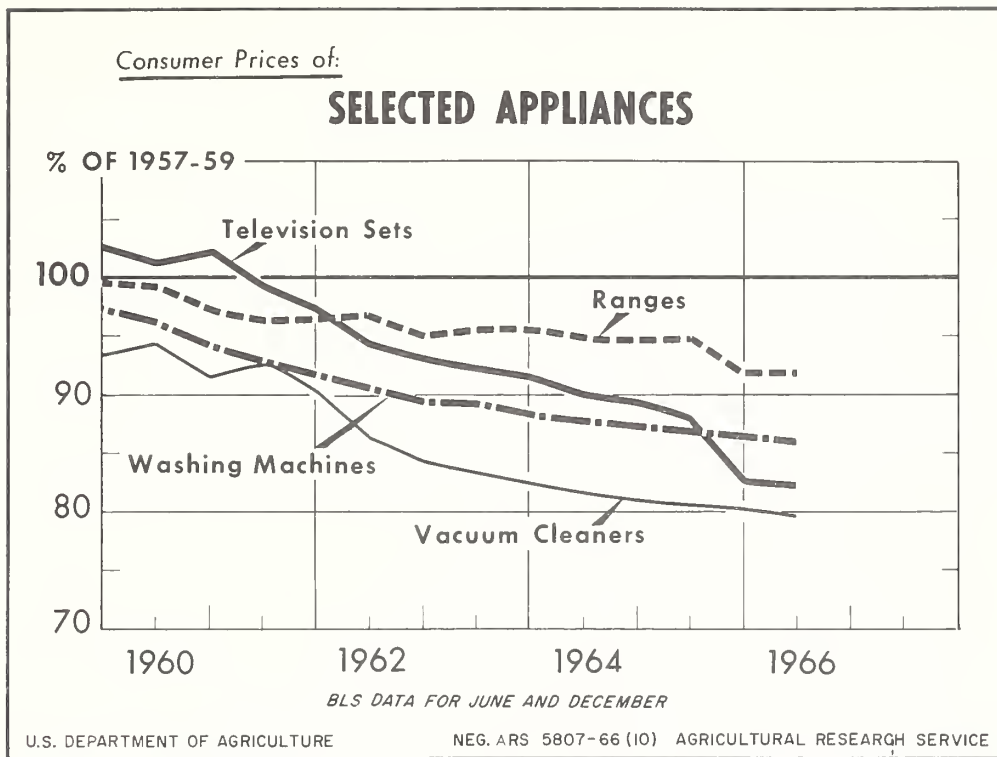


Chart 3

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Service

CLOTHING AND TEXTILES: SUPPLIES, PRICES, AND OUTLOOK FOR 1967

Talk by Virginia Britton
Consumer and Food Economics Research Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 2:00 P.M., Wednesday, November 16, 1966

Supplies of apparel continue large and widely varied in fiber, fabric, and style. Raw materials are in good supply. Purchases are at an all-time high. Easy-care garments and household textiles are increasingly popular. Consumer and wholesale prices of clothing, and of footwear in particular, are noticeably higher than a year ago.

Clothing Expenditures

About \$36 billion, 8 percent of personal consumption expenditures, were used to purchase clothing and shoes in 1965, according to the Department of Commerce. ^{1/} Per capita expenditure in constant dollars was 5 percent above the 1964 figure--the previous all-time high. (See table 1.)

Purchases of apparel were high in the first half of 1966 and even higher in August, as reported by trade sources. ^{2/} The increase in purchases for fall was attributed by retailers partly to restricted purchases of houses and cars and partly to the popularity of permanent press garments and of high fashions in back-to-school clothes for teenagers. Other aspects of high clothing purchases have been noted during the year: continued trading-up on quality; high purchases of men's apparel, especially sports and leisure wear; and increased purchases of women's hosiery, almost entirely seamless nylons of full length, which averaged 19 pairs a year for each female 15 years and over.

Consumer Prices

The consumer price level for apparel rose more during the past year than in many years, according to the Apparel and Upkeep component of the Consumer Price Index. In the latest 12-month period for which data are available, September 1965 to September 1966, the apparel index increased 3.3 percent (table 2). The rise in apparel prices was only fractionally less than the rise in the index for all items--3.5 percent.

^{1/} U.S. Department of Commerce, Survey of Current Business, July 1966.

^{2/} Trade sources include The Wall Street Journal and Textile Organon.

As we have noted in previous years, prices of apparel advanced more rapidly than overall consumer prices during World War II and immediate postwar years. Thereafter overall prices increased more rapidly. By 1958 overall prices had caught up with apparel prices, then forged ahead.

The price levels of the three apparel subgroups--men's and boys' apparel, women's and girls' apparel, and footwear--increased about equally from 1939 to 1947. Thereafter footwear prices generally took the lead. Changes in the price of footwear have been particularly sharp in the last 12 months. The increase was 7.0 percent in contrast to a rise of 3.1 percent for men's and boys' apparel and 2.4 percent for women's and girls' apparel. Actually, footwear rose more in the 12 months than did most groups or subgroups in the CPI.

The chart shows the monthly price indexes for the three apparel subgroups and for total apparel and upkeep in 1965 and 1966. The regularity of the recent price advances is emphasized by the seasonally adjusted indexes which are now published monthly.

Wholesale Prices of Clothing and Household Textiles

The index of wholesale prices of apparel rose 0.8 percent in the period September 1965 to September 1966 (table 3). Rises of about 2 percent were posted for men's and boys' apparel and for underwear and nightwear. Fractional rises were shown for women's, misses', and juniors' apparel, for infants' and children's apparel, and for knit outerwear. On the other hand, hosiery went down about 2 percent.

The wholesale price index for leather footwear rose 8.0 percent in the 12 months. Men's and boys' footwear jumped 10 percent, children's and infants' rose 8 percent, and women's and misses rose 7 percent. Shoe manufacturers reported increasing costs of operation. Manufacturers of men's shoes and garments have had large military orders this year on top of heavy order from retailers.

Wholesale prices of two important types of household textiles moved upward--by almost 5 percent for wool and part wool blankets and 2 percent for cotton housefurnishings.

Prices and Supplies of Fabrics and Raw Materials

Prices and supplies of fabrics and raw materials are important in determining the fiber mix and the costs of manufacture and thereby play a part in future changes in wholesale and retail prices of apparel.

Apparel manufacturers found prices of many fabrics decidedly changed in the 12 months ending September 1966. Silk products were up 18 percent and

leather was up 10 percent. Broadwoven goods of natural fibers were up small amounts by comparison--2 percent for cotton and 1 percent for wool. At the same time, prices of fabrics of manmade fibers were down decidedly--broadwoven goods down 11 percent, and knit goods down 8 percent.

Fabric manufacturers found increases in prices of many yarns over a year ago--cotton up 5 percent, spun rayon up 3 percent, and wool up 1 percent. At the same time, filament yarns and fibers declined fractionally. In September, the price of the Dacron polyester staple fibers most commonly used in blends with cotton was reduced 14 percent and the price of type 420 nylon, used in cotton blends, was reduced 11 percent. Reasons given for the decreases included current market conditions, the expectation of additional capacity, and the desire to expand the market for these fibers. On the other hand, a major producer announced price boosts on textile rayon-filament yarns effective October 1, because of increased manufacturing costs.

Prices of natural fibers affect future prices of yarns and fabrics, and eventually affect, to a lesser extent, the prices consumers will pay and the materials from which their apparel will be constructed. Some noteworthy changes occurred in prices of raw materials from September 1965 to September 1966: raw silk (small in the total picture) jumped 28 percent, hides and skins rose 7 percent, and domestic apparel wool rose 4 percent while foreign apparel wool rose 1 percent. While the price index for raw cotton fell 26 percent because of lower support prices and the termination of equalization payments previously made to domestic cotton mills and other handlers, the effective price to mills was down about 8 percent. The Food and Agriculture Act of 1965 provided for the elimination of these subsidies beginning in August 1966.

Supplies of fibers appear to be ample for the coming year. We might look first at cotton since it comprises about six-tenths of the total poundage of fibers in garments, in contrast with one-tenth from wool and three-tenths from manmade fibers. ^{3/} The 1966 cotton crop in the U.S. is expected to total a little below 11 million bales. ^{4/} While this is a quarter less than expected use in domestic mills and export, the deficit can easily be supplied from cotton stocks of 17 million bales. Use by domestic mills is expected to be slightly above the past year because of strong economic activity, continued large civilian and military purchases of textile products, and cotton's improved price position in relation to other fibers.

Wool use is increasing primarily because of consumer prosperity and the needs of the expanding military force, but also because of wool's improved versatility made possible by important technological innovations such as shrink resistance. U.S. mills are expected to use about 7 percent more apparel wool in 1966 than in 1965. World wool production for the 1966-67

^{3/} Textile Organon, January 1966. See also issues of August and December 1965, and April and August 1966 for details on manmade fibers.

^{4/} U.S. Department of Agriculture, Demand and Price Situation, August 1966.

season is expected to be about the same as a year earlier. With world use growing, world prices can be expected to show some additional increase.

Production of manmade fibers in 1965 was 17 percent higher than in 1964, and almost double that in 1960. Noncellulosic fibers have become increasingly important. These fibers (excluding textile glass fibers) comprised half of the production of manmade fibers in 1965, up from a third of production in 1960. Production of manmade fibers continued to grow in the first half of 1966 when it was 13 percent higher than a year earlier. ^{5/} Noncellulosic fiber production was up 22 percent, textile glass fiber was up 20 percent, rayon was up only 1 percent, and acetate yarn was down 3 percent.

Production of nylon is expected to increase more in the coming year than at any time in its 28-year history. New companies are entering the field and long-time manufacturers are increasing output. Some major manufacturers expect nylon prices to fall as much as 10 percent by 1970, but do not appear to be worried by the prospect. It has been pointed out that patents on earlier manmade fibers are expiring and prices may continue to drop.

U.S. production capacity for manmade fibers, as a whole, is expected to increase by 36 percent in the two years ending November 1967. By then, six-tenths of capacity will be devoted to noncellulosic fibers (excluding textile glass).

Hide production in 1966 is up somewhat over last year, but it appears that it will decline some next year. Leather use is high due to high consumer demand for shoes and other leather goods such as coats, the upgrading of purchases, and the size of military orders, especially those for combat boots. Estimates are for about 650 million pairs of leather-type shoes manufactured in the United States this year. These shoes with leather uppers represent about three-quarters of all shoes manufactured. The quarter not having leather uppers will include about 16 percent with fabric uppers (canvas, straw, and other), 7 percent with vinyl uppers, and 2 percent with poromeric. Pattina is a leader among some 25 low-price leather substitutes for low-price shoes. Shoes with Corfam (poromeric) uppers are offered in a fall catalog as low as \$8 for women and \$15 for men. Production of Corfam is expected to double in a year. Several big manufacturers are reported to be well along in developing other poromerics.

New and Improved Products

The trend continues toward easy care garments and household textiles. By one industry estimate, 1966 purchases of durable-press garments will be double last year's and will double again by 1970. Durable press, especially desired

^{5/} This figure does not include acetate staple and tow for which quarterly figures are not available.

in slacks, shirts, dresses, and skirts, is now being used on lingerie, sheets, and tablecloths. In most cases, the press lasts for the life of the item.

While the fabrics for durable-press garments are usually 50-65 percent polyester blended with cotton, durable-press all-cotton shirts for men and boys are now widely available. Men's suits made from all-cotton seersucker may be available in 1967. For a marketing test last summer, the National Cotton Council (NCC) had seersucker fabric woven to specifications developed by the USDA's Southern Utilization Research and Development Division (SURD). The fabric was treated by the Council's wet-fix finish and made into suits by commercial firms.

SURD, NCC, and many manufacturers continue their work to develop durable press, all-cotton fabrics with abrasion resistance approaching that of untreated cotton fabrics. Under investigation are various chemicals and methods of application, including cures that can be completed after the garment is made, and the use of treated and untreated fibers in combination.

A group of European finishers guarantee the performance of their durable press shirt fabrics if cutters follow their instructions for making and curing the shirts. Body fabrics are all cotton. Cuff and collar fabrics are blends that provide abrasion resistance in the areas of a shirt where it is most needed.

The Singer Company is working on a way to make the durable press process available to the home seamstress. The Company plans to place the curing ovens it manufactures in its fabric centers and provide processing. It may use a process developed by SURD in which finished garments can be dipped in a solution of crosslinking resins, pressed and creased while damp, then cured.

Lightweight wool-cotton fabrics that resist shrinkage and wrinkles and hold a crease are being developed at USDA's Western Utilization Research and Development Division. The WURLAN process makes the wool component shrink-resistant and the durable press process on the cotton component makes the entire garment wash-and-wear. Shirts laundered and tumble dried more than a dozen times look as smoothly pressed as when new. Still another shrink-resistant process for wool fabrics and yarns has been developed, this time by Australian scientists who say that the treated wool yarns show almost no shrinkage after heavy washing.

A durable soil-resistant finish for wash-wear fabrics, developed at SURD, makes both aqueous and oily soils easier to remove. The finish has little effect on crease recovery of the wash-wear fabrics. A new treatment of a blended fabric of polyester and cotton by high energy radiation is reported by Deering Milliken to facilitate the removal of oily soils.

Men's hats that are permanently shaped and soil resistant are to be introduced this fall. The hats, made from a complex of nylon and other polymers, are molded and shaped under heat and pressure.

The ultimate in easy care is found in disposable garments. Shifts and swimming trunks of disposable materials were available in the summer. More dresses, aprons, and baby dresses were to be available this fall. Soon there may be men's underwear, football jerseys, doctor's hospital jackets, graduation gowns, and beach ponchos. The disposable garments are convenient for travellers and for those doing dirty jobs where laundering is a problem. The garments are made of nonwoven materials of cotton, rayon, nylon, olefin, and wood pulp. They are reasonably cheap and durable and reasonably resistant to water and fire. Research is continuing toward disposable sheets and garments for hospitals, where manufacturers expect their biggest market.

Vinyl, used for some years for raincoats, jackets, boots, handbags, and wallets, is being used now for a wider range of apparel. These include transparent uppers for women's shoes, and dresses, sun hats, bikinis, and skirts, and men's vests, walking shorts, and trousers. Advantages are easy cleaning and bright colors. Lamination with a cotton lining improves wearability, but ventilation problems and a tendency to harden in cold weather may limit acceptance.

Increased use of all-cotton stretch fabrics is predicted by some finishers. About 60 million yards a year are now treated by the USDA process. Growing use is reported of fabrics treated for flame resistance by compounds based on SURD research. The military contracted for a large quantity of treated tent liner fabric. The American Hospital Supply Company is distributing many items of bedding with flame-resistant treatment.

Bonded fabrics, with one material laminated to another or to foam, are increasingly used for reversible garments, for pre-lined knits and other fabrics, and for delicate fabrics such as lace, cashmere, or wispy Scottish weave. On some fabrics, bonding may reduce by a third the costs of producing garments because of greater ease of cutting and stitching.

A new fabric is on the way. It is Chameleon cloth--a printed fabric that can be given a second set of colors when the buyer tires of the original set. The color is changed by plunging the garment into hot water containing a special powder that comes with the garment.

Developments in Retail Distribution of Apparel

Some definitions for manufactured fibers under the Textile Fiber Products Identification Act were amended by the Federal Trade Commission in February 1966. The change provides a new generic name, lastrile, and redefines rubber, modacrylic, and olefin. The generic types are thereby identified more specifically with their performance characteristics.

Some efforts are underway toward the eventual strengthening of the Flammable Fabrics Act, which is aimed at preventing sale of highly flammable

clothing such as brushed rayon (torch) sweaters. The FTC proposes to amend its rules to subject to flammability testing those apparel fabrics with a raised-fiber surface if the surface might be worn on the outside as well as next to the body (as in sweatshirts). The Public Health Service is initiating a study of the number and causes of injuries and deaths resulting from fire involving textiles, particularly for children's clothing. Bills have been reintroduced in Congress to include bedding, such as sheets, blankets, and mattresses, under the Flammable Fabrics Act. There is considerable doubt whether the tests used for clothing fabrics are applicable to bedding fabrics.

Permanent labels, describing proper care, may be sewn by manufacturers into many dresses, slipcovers, and underwear by next spring. A committee of the U.S. textile industry has been devising a labelling system to be presented to the Government's Industry Advisory Committee on Textile Information in November 1966.

A new system of sizing and fitting men's shoes to reduce the number of sizes the retailer needs to stock is being tried out by a major shoe producer. The new system uses measurements geared to the girth of the ball of the foot, rather than its width. Other dimensions of the shoe last are then graded on the basis of foot length and ball girth. The shoes were carried in 450 retail outlets in August. Plans are underway to apply the system to women's and children's shoes also.

Changes are occurring also in the location of retail stores. Suburban shopping centers are growing into larger "regional" centers that include two or more big stores. In 1965, 60 shopping centers were opened with two or more big stores, compared with only nine centers four years ago.

Several types of action have been taken recently against unfair methods of competition. Restrictive franchises may be curbed by a recent action of the Supreme Court. The Court ruled that a large shoe producer cannot prevent a franchised dealer from carrying competitive lines of shoes. The Court has other franchise cases before it.

The Federal Trade Commission has continued its four-year campaign to curb discriminatory advertising allowances that it found to be widespread in the apparel industry. The situation arises when the manufacturer pays part of the advertising costs of certain retailers promoting his garments, but does not provide equal allowances to other retailers. Some 300 cases were settled by consent orders signed by the companies who agreed not to grant discriminatory allowances. This year FTC issued a cease-and-desist order against a large manufacturer of women's dresses that had refused to sign a consent order. The company must correct the violation and notify its customers in writing of its cooperative advertising program.

Expansion of the big retailers in clothing and other fields involves what the FTC describes as a part of "the greatest merger movement in history."

Owners of conventional department stores operating in several markets or those seeking to operate on a national rather than regional scale, in many instances, have absorbed long established leading local independents in many of the larger metropolitan areas throughout the country. The FTC alleged that chains with six or more stores increased their share of all department store sales from 46 percent in 1948 to 81 percent in 1963. Mail order houses that have department stores are included in the figures.

Several types of action have been taken to restrain mergers. The Von's-Shopping Bag decision of the Supreme Court in June limited horizontal mergers--those that combine competitors. The Court ruled that mergers of large competitors are to be prevented even in a market that is still highly competitive but tending toward a situation where a few giants dominate. A few years ago we noted another major action against mergers. At that time the Supreme Court had restrained a vertical merger of the largest retail shoe chain with a large shoe producer.

The May Company recently signed an FTC consent order barring the company from acquiring any existing department store or any other store carrying general merchandise, apparel, or furniture for ten years without the FTC's prior consent. However, the May Company expects to build about 20 new branches by 1970 in the 13 metropolitan areas it currently serves.

The merger of Spartans and Korvette in September was made possible when the two firms signed an FTC consent order which limited the scope of their operations. Spartans is an apparel manufacturer that also operates drug and discount department stores, and Korvette is a discount-store concern. The consent order limited the amount of apparel and hosiery manufactured by the proposed company that could be sold in its own stores--the first such limit in the apparel field where this method has been growing sharply in recent years. The consent order required disposal of a large number of discount stores and barred acquisition of additional retailers or apparel manufacturers without prior FTC approval.

Many retailers continue to grow by internal expansion--the addition of new outlets and expansion in size of outlets. For example, the three leading mail order houses, Sears, Penneys, and Wards, now sell almost three-tenths of the total sold by all stores in the general merchandise group, including department stores, mail order houses selling department store merchandise, and variety stores. Sears started recently to convert all 100 of its New England catalog stores to retail outlets. Sears was operating 788 retail stores, 1,367 catalog sales offices, and 55 telephone sales offices at the end of July. Penneys was planning to open three new stores in September and complete a major store expansion including several new stores in shopping centers in late 1966 and 1967. Wards was operating 497 retail stores, 870 catalog stores, and 459 catalog sales agencies at the beginning of August, and expects to open 14 additional stores later this year.

This fall Woolworth moved into the department store field by opening one new store. There are plans to open two more in a few months. The stores carry the usual variety store merchandise, and also household equipment and dress-up clothes for men, women, and children. These stores will be in small towns in Wyoming, Wisconsin, and Oklahoma that are some distance from a big-town department store.

Net profits of department stores increased 24 percent in 1965 over 1964, while sales rose about 6 percent, according to the National Retail Merchants Association. The profit ratio increased to 3.2 percent of sales from 2.7 percent in 1964. This year, some department stores report shrinking profit margins due to rising costs of merchandise, labor, and taxes. Others who can raise prices the same percentage that their costs rise find they make more profit in the end. Retailers are seeking methods of cutting costs. Wards has extended the use of its store brands to cover nine-tenths of its volume, thus equalling Sears' proportion. At the same time, Wards has cut its list of store brands from 168 to 16 comprehensive ones. Wards has also instituted tightened inventory controls. A Baltimore clothing concern uses photo-electric counters that move on tracks in its warehouse to give overnight inventories and spot thefts.

Outlook

Large supplies of apparel will be available in the year ahead. The fiber mix will probably include more noncellulosic fibers, and more leather substitutes will be used for shoes.

High consumer and military demand as well as increasing costs of operation may indicate increased prices for apparel next year. Shoe prices are expected to advance next spring, although probably not as much as last spring and not equally for all items. Prices of some suits for men are expected to increase next spring by as much as \$5, and by next fall the increases may be fairly widespread at an estimated maximum of 5 percent.

Research and development activities will focus on the improvement of end use properties of cotton and wool and the manmade fibers and on economies in leather production and use. At the same time, production facilities for noncellulosic fibers will expand. Production of high-priced as well as low-priced leather substitutes will increase in reaction to the increasing demand for shoes and other leather products.

Table 1.--Annual expenditures on clothing and shoes

Years	Per capita expenditures		Percent of expenditures for personal consumption		Aggregate expenditures	
	1958	Current	1958	Current	Billions of 1958	Billions of current
	dollars	dollars	dollars	dollars	dollars	dollars
1929 -----	149	77	13.0	12.1	18.2	9.4
1930-40 ----	122	51	11.8	10.7	15.6	6.5
1941-46 ----	151	100	11.8	12.9	20.7	13.7
1947-61 ----	144	140	9.0	9.4	23.5	22.9
1962 -----	152	159	8.4	8.3	28.4	29.6
1963 -----	154	162	8.2	8.2	29.1	30.6
1964 -----	164	175	8.5	8.4	31.6	33.6
1965 -----	172	185	8.5	8.3	33.5	35.9

Source: Department of Commerce.

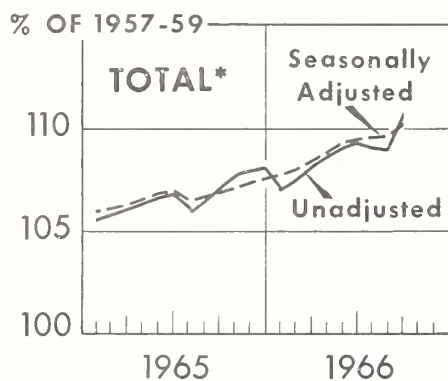
Table 2.--Percentage change in selected indexes of consumer prices

Index	1939 to --			1962	1963	1964	Sept. 1965
	1947	1958	1965	to 1963	to 1964	to 1965	to Sept. 1966
Consumer Price Index	+61	+108	+127	+1.2	+1.3	+1.7	+3.5
Apparel and Upkeep Index *	+85	+107	+121	+1.2	+ .9	+1.0	+3.3
Men's and boys' apparel	+92	+114	+130	+1.4	+1.3	+1.2	+3.1
Women's and girls' apparel	+80	+82	+88	+ .8	+ .6	+ .8	+2.4
Footwear	+88	+158	+194	+1.1	+ .5	+1.7	+7.0

* Also includes infants' wear, sewing materials, jewelry, and apparel upkeep services, for which separate indexes are not available.

Source: Bureau of Labor Statistics.

CONSUMER PRICES FOR APPAREL



* ALSO INCLUDES APPAREL UPKEEP, INFANT'S WEAR, SEWING MATERIALS AND JEWELRY.

BLS DATA

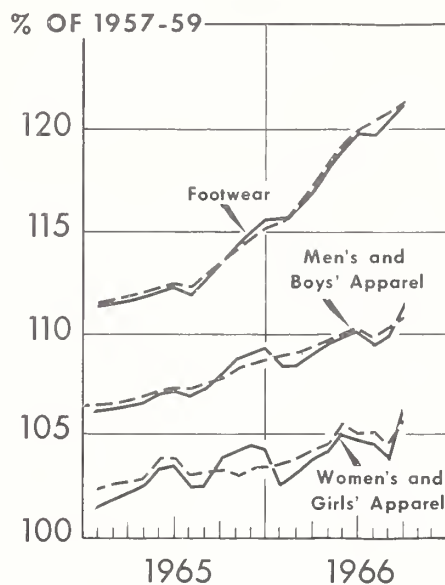


Table 3.--Percentage change in selected wholesale price indexes

Index	September 1965 to September 1966
Apparel -----	+ .8
Men's and boys' apparel -----	+1.7
Women's, misses', and juniors' apparel -----	+ .5
Infants' and children's apparel -----	+ .5
Hosiery -----	-1.6
Underwear and nightwear -----	+2.0
Knit outerwear -----	+ .1
Leather footwear -----	+8.0
Men's and boys' footwear -----	+10.2
Women's and misses' footwear -----	+6.6
Children's and infants' footwear -----	+7.6
Textile housefurnishings:	
Wool and part wool blankets -----	+4.5
Cotton housefurnishings -----	+1.6
Cotton fibers and fabrics:	
Raw cotton -----	-26.4
Yarns -----	+5.0
Broadwoven goods -----	+2.2
Manmade fibers and fabrics:	
Filament yarns and fibers -----	- .3
Spun rayon -----	+2.8
Broadwoven goods -----	-10.7
Knit goods -----	-7.7
Wool fibers and fabrics:	
Domestic apparel wool -----	+4.1
Foreign apparel wool -----	+1.3
Yarns -----	+1.0
Broadwoven fabrics -----	+ .7
Knit outerwear fabrics -----	+ .8
Silk fibers and fabrics:	
Raw silk -----	+27.7
Silk products -----	+17.6
Hides, skins, leather:	
Hides and skins -----	+7.4
Leather -----	+9.8

Source: Bureau of Labor Statistics.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR WHEAT in 1966-67

Talk by William R. Askew
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:50 A.M., Thursday, November 17, 1966

SUMMARY

Total disappearance of U. S. wheat during 1966-67 is expected to decline sharply from the record-high 1965-66 level. Prospective smaller disappearance is balanced against a smaller supply and, while there will be a reduction in carryover stocks during the year, it is not likely to be nearly as large as the 282-million-bushel decline during 1965-66. A decline of possibly 115-140 million bushels from the 536 million bushels last July now appears most likely. The undetermined extent of Government program exports, during the remaining months of the 1966-67 marketing year, is the major factor contributing to the uncertainty in the estimate of the year-end carryover. Plantings and the ultimate size of the on-coming 1967 crop will have an influence on the quantities of wheat shipped under Government programs during the remainder of this year.

OUTLOOK

Supply and Disappearance Down

The total supply of wheat in 1966-67 is placed at 1,833 million bushels, based on October estimates, about 300 million smaller than a year earlier. The October crop report placed production at 1,296 million bushels, the July 1 carryover totaled 536 million and imports are estimated at 1 million.

Exports are currently estimated at 100-125 million bushels below last year's record 867 million. The tighter U. S. supply situation this year and the expected record world crop will combine to limit U. S. exports during 1966-67. During July-September, commercial exports were nearly double those of the same period in 1965, although total exports were only 12 percent larger. Lack of supplies in the Southern Hemisphere countries limited competition from this source during these months.

Commercial exports are likely to continue at a high level during the entire year, although the large crops in both Australia and Argentina, as well as a record crop in Canada, point to increased competition for U. S. commercial sales. Lower world prices are indicated barring some unexpected change in world demand-supply prospects. The Soviet Union, as well as several other Communist Nations that have imported wheat in recent years, are harvesting larger crops.

Total domestic use is also expected to be down, chiefly the result of an anticipated reduction in the feeding of wheat. The higher price of wheat relative to that for feed grains during July-September 1966, as well as the level of disappearance derived from the October stock report, would indicate that feeding during these months was minimal. In the same quarter a year earlier, feeding was exceptionally large, totaling 155 million bushels for the entire 1965-66 year. Seed use in 1966-67 is placed at 78 million bushels, based on the anticipated requirements for seeding the 68.2-million-acre allotment for 1967. Food use of wheat in 1966-67 is placed at 530 million bushels, slightly above that of a year earlier.

Prices Well Above Loan

The national average price received by farmers in October dropped to \$1.59 from the July-September average of \$1.72 per bushel. This average was 39 cents over the same period a year earlier and 47 cents over the loan rate of \$1.25 per bushel. The difference between farm prices and the loan rate during the first three months of the marketing year has been the greatest ever reported for this period. Based on the presently indicated supply and disappearance factors, the resulting draw-down in carryover stocks, and the level of farm wheat prices to date, the season average price received by farmers is likely to be around 10-20 percent above last year's \$1.34 per bushel.

PIK Discontinued

The Commodity Credit Corporation discontinued the Payment-In-Kind (PIK) Export Commodity Program on August 26, 1966. Export payments on wheat are now made in cash as was the practice prior to September 4, 1956. CCC will continue to sell wheat for unrestricted use at the domestic market price or the resale formula basis--whichever is higher. In many recent years, the redemption of payment-in-kind certificates constituted the major access to CCC stocks. Under the cash export payment program, all wheat for export, other than under some minor programs, comes from the market. This action provides additional price strength.

As a result of the change in the export payment program, CCC sales and dispositions declined in September to 12 million bushels from the average of 36 million per month in July and August. These three months totaled 85 million bushels, compared with 106 million in the same months of 1965.

Record World Crop Expected

The 1966 world wheat crop is estimated at a record 9.5 billion bushels, compared with the 1965 crop of 9.0 billion and the 1964 crop of 9.4 billion. Of the 5 major exporting countries, Canada, Argentina, and Australia are expecting larger crops this year. France and the United States have harvested smaller crops. Supplies in the 5 countries, for their respective marketing years, total somewhat larger than expected earlier and only slightly smaller than in 1965-66.

The U.S.S.R., in recent years an importer of wheat, has officially reported that its 1966 total grain crop is the largest of record. The wheat portion may be close to the record 1964 harvest of 2.1 billion bushels. This should result in a reduction in its import requirements, although it had contracted for 150 million bushels of wheat for this year.

India's crop is expected to again be large, but down somewhat from the 451-million-bushel record set a year ago. This, along with reductions in other food grain crops, will necessitate continued large imports of grain by India. Japan's 1966 wheat crop was the smallest in 20 years. Production in Communist China was reduced, mainly as a result of dry weather during planting time.

A Decline in World Trade Likely

World wheat and flour trade is expected to drop off in 1966-67, primarily as the result of excellent harvests in the U.S.S.R. and several of the Eastern European countries. However, trade between Free-World sources is expected to be up. Last year, the U.S.S.R. and Eastern European countries purchased about 485 million bushels from Free-World sources. But, so far this year, only Canada and France have made commitments to supply wheat to these areas. Australia and Argentina have some small commitments but they involve only old-crop wheat. The likelihood is small that the U.S.S.R. and other European countries will purchase additional large amounts of Free-World wheat, considering the present outlook for wheat crops in these countries.

Total Western European imports are expected to decrease slightly, although production is below last year's level. However, most of the decline in production is in France and Sweden--both exporting countries. Imports into Caribbean, Central American, and South American countries are expected to increase modestly. Asian imports are anticipated to rise again, since Japanese, Indian and Communist Chinese import needs remain strong. Total African demands are expected to be up markedly, primarily because of large import needs in Morocco, Algeria, and Tunisia. These countries are usually marginal exporters but, because of poor harvests, they will need to import sizeable quantities this year.

The 1967 Program

On August 8, the 1967 national wheat acreage allotment was increased 8.9 million acres to 68.2 million acres. Along with the 7.7-million-acre increase announced May 5, 1966, the allotment for 1967 is now 16.6 million acres greater than for 1966. The new effective wheat allotment is made up of a regular allotment of 63.3 million acres and a small farm allotment of 4.9 million. The 1966 effective allotment was 51.6 million acres (47.8 million plus 3.8 million).

Farm soil-conserving base acreages will be reduced to correspond with the second increase in wheat acreage allotments. The land made available for cropping by this reduction in conserving acreages will enable many farmers to plant more wheat for harvest in 1967. As announced previously, the 1967 program will not require diversion of any wheat acreage and there will be no diversion payments.

Producers who plant within their farm acreage allotments are eligible for: (1) price support loans on all of their production; and (2) for price-supplementing certificate payments on the farm's share of the domestic food market for wheat. The price support loan level for 1967 will be \$1.25. Domestic marketing certificates will be issued on approximately 520 million bushels of wheat, and the value of certificates will be the difference between the parity price of wheat on July 1, 1967 and the \$1.25 loan value. This year's certificate value is \$1.32 per bushel.

Barley will not be included in the 1967 feed grain diversion program. The barley announcement was made at this time because barley, like wheat, is a fall-seeded crop in many parts of the country. Farmers co-operating in both wheat and feed grain programs next year may plant wheat on their entire barley base acreage and on other feed grain permitted acreage if they wish. The level of price support for barley and other feed grains was announced on October 17. As in 1966, farmers will be able to plant wheat on their oats-rye base and there will be no oats-rye diversion requirements or payments.

In the Cropland Adjustment Program for 1967, wheat, rice and barley acreages are no longer eligible at a special payment rate related to wheat program benefits but are eligible only at the rate for non-allotment crops.

Table 11.- Wheat: Supply and distribution and prices, average 1959-63, annual 1963-66

Item	Year beginning July 1				
	Average:	1963	1964	1965 1/	1966 2/
	1959-63:				
	Mil.	Mil.	Mil.	Mil.	Mil.
	bu.	bu.	bu.	bu.	bu.
<u>Supply</u>					
Beginning carryover	1,307.3	1,194.9	901.2	817.7	536
Production	1,189.8	1,142.0	1,290.7	1,326.7	1,296
Imports 3/	6.1	4.0	1.1	1.0	1
Total supply	2,503.2	2,340.9	2,193.0	2,145.4	1,833
<u>Domestic disappearance</u>					
Food 4/	503.0	514.1	519.7	526.3	530
Seed	61.4	63.4	65.2	61.1	78
Industry	.1	.1	.1	---	---
Feed (residual) 5/	32.0	6.0	65.3	154.8	60
On farms where grown	(25.1)	(19.9)	(38.2)	(50.1)	
Total	596.5	583.6	650.3	742.2	668
<u>Available for export and carryover</u>	1,906.7	1,757.3	1,542.7	1,403.2	1,165
<u>Exports</u> 3/	678.1	856.1	725.0	867.2	745-770
For dollars	(215.0)	(352.7)	(157.7)	(298.3)	
Total disappearance	1,274.6	1,439.7	1,375.3	1,609.4	1,413-1,438
<u>Ending carryover</u>	1,228.6	901.2	817.7	536.0	395-420
Privately owned--"Free"	(44.9)	(19.7)	(97.0)	(121.0)	
<u>National average loan rate</u>	1.84	1.82	1.30	1.25	1.25
<u>Received by farmers:</u>					
Average farm price	1.84	1.85	1.37	1.34	
Average total return 6/	1.84	1.92	1.68	1.70	

1/ Preliminary. 2/ Projected. 3/ Imports and exports are of wheat, including flour and other products in terms of wheat.

4/ Used for food in the United States and U. S. territories, and by the military both at home and abroad. 5/ Assumed to roughly approximate total amount used for feed, including amount used in mixed and processed feed. 6/ Includes price support payment in 1963 and marketing certificates in later years; excludes acreage diversion and Soil Bank payments.

Table 2.- Wheat: Estimated supply and distribution by classes,
United States, average 1959-63 and annual 1964-66

(Note.-Figures in this table, except production, are only approximations)

Item	Hard winter	Red winter	Hard spring	Durum	White	Total
	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.
<u>Average 1959-63</u>						
Carryover, July	1,013	14	218	22	40	1,307
Production	650	185	158	39	158	1,190
Imports <u>1/</u>	---	---	6	---	---	6
Supply	1,663	199	382	61	198	2,503
Domestic disappearance <u>2/</u>	262	133	136	24	41	596
Exports <u>1/</u>	442	55	42	11	128	678
Carryover, June 30	959	11	204	26	29	1,229
<u>1964-65</u>						
Carryover, July 1, 1964	670	4	180	41	6	901
Production	636	226	181	67	181	1,291
Imports <u>1/</u>	---	---	1	---	---	1
Supply	1,306	230	362	108	187	2,193
Domestic disappearance <u>2/</u>	274	143	137	31	65	650
Exports <u>1/</u>	499	80	25	9	112	725
Carryover, June 30, 1965	533	7	200	68	10	818
<u>1965-66 4/</u>						
Carryover, July 1, 1965	533	7	200	68	10	818
Production	680	183	211	69	184	1,327
Imports <u>1/</u>	---	---	1	---	---	1
Supply	1,213	190	412	137	194	2,146
Domestic disappearance <u>2/</u>	341	139	140	48	75	743
For export or carryover <u>3/</u>	872	51	272	89	119	1,403
Exports <u>1/</u>	597	43	86	34	107	867
Carryover, June 30, 1966	275	8	186	55	12	536
<u>1966-67 5/</u>						
Carryover, July 1, 1966	275	8	186	55	12	536
Production	664	212	180	61	179	1,296
Imports <u>1/</u>	---	---	1	---	---	1
Supply	939	220	367	116	191	1,833
Domestic disappearance <u>2/</u>	285	141	145	32	65	668
For export or carryover <u>3/</u>	654	79	222	84	126	1,165
Exports <u>1/</u>	399- 410	59- 61	137- 142	44- 49	106- 108	745- 770
Carryover, June 30, 1967	244-255	18-20	80-85	35-40	18-20	395-420

1/ Imports and exports are of wheat, including flour and other products in terms of wheat. 2/ Wheat used for food (in the United States and U. S. territories, and by the military both at home and abroad), feed, seed and industry. 3/ Supply available after allowing for domestic requirements. 4/ Preliminary. 5/ Projected.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Community Development Service

HOUSING AND RELATED COMMUNITY SERVICES

Talk by Frank D. Pollard
Program Operations Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:30 A.M., Thursday, November 17, 1966

During the 1966 fiscal year more than 32,000 rural families constructed new homes or made improvements in their present homes with the help of loans from the Farmers Home Administration. Among this number were about 6,500 senior citizens past the age of 62. Nearly 1,000 more senior citizens benefited from loans for the construction of multi-family rental housing projects in rural areas.

Altogether, this represents more than twice the amount of activity during the previous fiscal year. This sharp increase can be attributed in large measure to changes authorized in the Rural Housing Program by the Housing and Urban Development Act of 1965. Prominent among these was the provision for converting the basic program to an insured basis. In previous years it had consisted almost entirely of direct loans.

It is obvious that this program is serving an exceedingly worthwhile purpose by giving thousands of rural people their first real opportunity to live in decent homes. Beyond the direct benefits to the families receiving loans, there are significant indirect benefits to the rural areas involved as a result of the employment generated, the demand for construction materials, increase in property values and all of the other side effects which are more difficult to measure, but which are just as surely present.

Impressive as this record is, for every rural family which the Farmers Home Administration is able to help, there are hundreds of other rural families who have acute housing problems and are in need of help, but cannot be served, either because of a lack of loan funds or a lack of demonstrated ability to repay loans even under the favorable terms applicable to the Rural Housing Program.

On many occasions, you have been reminded of the Census figures showing more than 5 million housing units in rural areas which are dilapidated or in need of major repairs. But did you realize that over 60 percent of those families had annual incomes of less than \$3,000? This is an income level below which it is extremely difficult to find a satisfactory basis for any type of housing credit.

To make much of a dent in this tremendous inventory of poor housing, the Rural Housing Program will have to be greatly expanded. In addition, new ways must be found for meeting the needs of those rural families who cannot qualify

for loans under present programs. Much more must be done just to replace the dilapidated, unsafe homes now being occupied, to say nothing of the housing needed to accommodate the anticipated influx of new post-war families arriving on the scene during the next few years.

In the discussion of housing at the Outlook Conference last year, you were informed of the major changes then being made in the many housing programs as a result of the Housing and Urban Development Act of 1965. There was a more detailed discussion of the changes related directly to the housing program administered by the Farmers Home Administration.

This year I should like to reverse that process somewhat and discuss briefly additional changes in the Rural Housing Program authorized by the recently enacted Demonstration Cities and Metropolitan Development Act of 1966 and then go into more detail regarding alternatives which might be developed for obtaining better housing for rural people under programs administered by the Department of Housing and Urban Development.

In doing this, there is no intent to discount the importance of changes authorized in the Rural Housing Program. For some of them can be quite significant. Let me, therefore, enumerate some of those changes rather quickly.

Last year, the Housing and Urban Development Act of 1965 made it possible -- as I have already indicated -- to place the basic Rural Housing Program on an insured basis. It also broadened the authority to permit loans to rural families to purchase building sites and to buy previously occupied homes. And for the first time it defined as a "rural area" any place of a rural character having a population of 5,500 or less.

The Demonstration Cities and Metropolitan Development Act of 1966 authorizes additional changes which may prove to be just as significant as those made a year ago. For example, the Act would:

1. Permit loans for the purchase of new homes not previously occupied. This could encourage builders to make more housing available in rural areas and would relieve the families of some of the headaches associated with the construction process.
2. Permit co-signers on notes given by families whose prospective repayment ability is doubtful and would otherwise disqualify them for assistance. Heretofore, co-signers could be used only in connection with loans to the elderly.
3. Increase from \$1,000 to \$1,500 the amount of assistance which can be provided for housing improvements necessary to make the buildings safe and sanitary.
4. Authorize loans for financing cooperatively-owned housing to be occupied by low and moderate income rural families.

5. Broaden the present authority to permit the financing of rental housing for a larger segment of the rural population -- not just for the elderly as in the past. In addition to making more housing available to low-income families, this feature of the program could be beneficial in getting certain needed services into rural areas. For example, if adequate rental housing were available, more and better qualified school teachers might be prevailed upon to take jobs in areas to which they could not otherwise be attracted.

These and other changes should contribute a great deal to the efforts being made to meet the housing needs of rural people under the Rural Housing Program administered by the Farmers Home Administration.

The Demonstration Cities and Metropolitan Development Act of 1966, which received a great deal of publicity while it was being guided through the legislative process, contains some other provisions which may be of equal interest to you.

The basic purpose of that portion of the law which authorizes the Demonstration Cities Program, as taken from the Act itself is

"to provide additional financial and technical assistance to enable cities of all sizes (with equal regard to the problems of small as well as large cities) to plan, develop, and carry out locally prepared and scheduled comprehensive city demonstration programs containing new and imaginative proposals to rebuild or revitalize large slum and blighted areas, to expand housing, job, and income opportunities, to reduce dependence on welfare payments, to improve educational facilities and programs; to combat disease and ill health; to reduce the incidence of crime and delinquency; to enhance recreational and cultural opportunities; to establish better access between homes and jobs; and generally to improve living conditions for the people who live in such areas, and to accomplish these objectives through the most effective and economical concentration and coordination of Federal, State, and local public and private efforts to improve the quality of urban life."

Except for those of you who are from sizeable urban places, and except for the emphasis placed upon equal regard being given to the problems of small as well as large cities, this part of the law may be of little interest to you. But for the 50 or 60 places, large and small, which can qualify under the Act, grants and technical assistance beyond anything now authorized can be provided to help plan and carry out more comprehensive programs than ever before to upgrade the quality of living in those areas.

More specifically, 80 percent grants would be available for planning, developing, and administering such comprehensive demonstration programs. In addition, grants equal to 80 percent of the aggregate amount of non-Federal contributions required in connection with all Federal grant-in-aid projects

which are essential parts of an approved comprehensive city demonstration program would be authorized for use in carrying out individual projects -- and normally, individual projects not financed under any Federal grant-in-aid program.

Supplementary grants up to 20 percent of the cost of certain metropolitan development projects such as libraries, airports and hospitals are likewise authorized.

Beyond the financial assistance which can be provided, technical assistance in planning, developing and administering an acceptable Demonstration Cities Program can be provided. And when requested by local officials, Metropolitan Expeditors can be appointed by the Secretary of Housing and Urban Development to provide information and other assistance to local authorities, private individuals and other agencies within the metropolitan area about various Federal programs which may be pertinent to the needs of the area.

To lend additional emphasis to the mandate for giving equitable consideration to both large and small places, the law defines a city demonstration agency which can qualify for assistance to include counties. Likewise, it defines a city as any municipality or any county or other public body having general governmental powers. Thus, it is obvious that the benefits of the program are expected to extend beyond the boundaries of metropolitan areas and it seems likely that some urbanized counties, at least, will want to participate. How applicable the program will be, if at all, to a typical rural county remains to be seen.

Several other provisions of the Act also may be of interest to you.

One provision authorizes the Federal Housing Administration to insure for the first time mortgages given to finance the construction or rehabilitation of facilities for the group practice of medicine, optometry, or dentistry, particularly in smaller communities. The mortgages can also finance equipment for the facilities. The applicant must be a private, non-profit corporation; however, both profit-making and non-profit groups may use the facilities. This provision of the law may provide an opportunity for many rural communities to improve the availability of medical, optometric, and dental care.

Another provision expands the authority contained in the Housing and Urban Development Act of 1965 to insure mortgages for land development purposes. This authority is designed to help private developers provide a steadier supply of improved building sites in an orderly and economical manner. The type of improvements which may be financed include water lines and water supply installations, sewer lines and sewage disposal installations, roads, streets, curbs, gutters, sidewalks, and other improvements of a similar nature found to be necessary or desirable to prepare the land primarily for residential and related uses. The mortgage on the land developed is retired as individual buildings are constructed and sold.

Heretofore, the area to be developed had to be associated with an already developed area. Under the change which has been made, it is applicable to completely new communities. In either event, this provision of the law may be increasingly helpful to small towns and rural areas in providing a more favorable climate for the development of housing projects. The absence of satisfactory financing for installing the type of facilities referred to has often been a handicap in the development of housing in many areas, particularly in and around small towns.

One other new provision which may be of particular benefit to rural areas is that which authorizes 50 percent grants to States to help them provide information to small communities about Federal, State and local programs along with technical assistance which may be beneficial to such communities in dealing with their urban problems. The Act does not define what constitutes urban problems, but presumably they would encompass problems of housing, community facilities, transportation and all of the other problems with which cities are confronted and which are of equal concern to small towns, even though to a different degree. The Act does define a small community, however, as one having a population of less than 100,000. The fact that it places a ceiling, but not a floor, upon the size of place to which the program is applicable would seem to imply a priority to the smaller places. The fact that a ceiling of 25,000 instead of 100,000 was seriously considered at one time lends support to this idea.

Finally, for any who may be concerned with the State of Alaska, the Demonstration Cities and Metropolitan Development Act of 1966 contains a \$10 million authorization under which 75 percent grants can be made through that State or through an authorized agency of the State to help provide housing for families who cannot otherwise obtain the shelter they need. Such assistance has to be provided in accordance with an approved State-wide plan and the grants may not exceed an average of \$7,500 per dwelling unit. Furthermore, it is contemplated that the prospective owners will contribute their labor to the construction of the homes to the fullest extent possible.

As indicated previously, one of the more pressing needs in rural areas is for assistance in providing housing for families not able to qualify for loans from the Farmers Home Administration because of their low incomes and limited repayment prospects.

Let us then consider a couple of programs administered by the Department of Housing and Urban Development which might be used more extensively to help fill at least a part of that need, particularly among low-income families in the small towns throughout rural America.

One of these is the Rent Supplement Program, which is relatively new. The other is the Public Housing Program, which is one of the oldest housing programs now in operation. However, it has some new features which perhaps are being overlooked.

Both of these programs are designed to serve families at the lowest income level. Similarly, both are designed primarily for the purpose of providing rental housing. Under certain circumstances, however, arrangements can be made for ultimate ownership of the units by the tenants.

The Rent Supplement Program was authorized by the Housing and Urban Development Act of 1965. However, it was not funded until several months later. Initially, \$12 million was provided. More recently an additional \$20 million was appropriated, making a total of \$32 million available for the payment of rent supplements. Under this Program, the Federal Housing Administration is authorized to insure mortgages for qualified non-profit, limited dividend, and cooperative organizations, on terms which are more favorable than those applicable to the usual type of mortgage insurance. The proceeds may be used to finance both the construction and rehabilitation of rental housing to be occupied by low-income families.

Although a project must consist of 5 or more dwelling units, they may be located in detached or semi-detached structures, which is more typical of housing in small towns and strictly rural areas. Families qualified for rent supplements must have been living previously in substandard homes or qualify under certain other specified conditions. In addition, their incomes must be comparable to those of families qualified for the occupancy of public housing in the area. They are expected to pay 25 percent of their income for rent, with the balance of the established rent being paid to the landlord in the form of a rent supplement.

For the most part, financing for Rent Supplement Projects is provided under the so-called 221(d)(3) Program administered by the Federal Housing Administration at the customary rate of interest. However, 5 percent of the funds available can be used on projects financed at an interest rate below the customary market rate. At the present time, this means an interest rate of 3 percent on the long-term loan.

Another 5 percent of the funds available may be used in paying rent supplements on projects for the elderly financed with direct 3 percent loans from the Housing Assistance Administration (formerly the Community Facilities Administration) or with mortgage insurance from the Federal Housing Administration.

One feature which may be of particular interest to small towns and rural areas is the provision in the law which authorizes rent supplement payments on behalf of selected tenants who choose to occupy rental units under leases containing options to purchase. The extent to which prospective purchasers can be given credit, if any, for payments made directly by them or on their behalf in the form of rent supplements before exercising their options has not been determined. However, this does afford an opportunity of home ownership which these families might never have under any other program.

The other program which was mentioned as having possibilities of serving the housing needs of a larger segment of low-income rural families is the Public Housing Program.

In this connection it is interesting to note that more than half, or about 1200, of all the housing authorities which have been established serve communities with populations of less than 5,000. This, of course, represents only a small percent of the total number of dwelling units which Public Housing Projects provide. But it is an indication of the interest which the small towns and other rural areas have shown in this program over the years. On the other hand, there are roughly 15,000 places with less than 5,000 people. So only a small percent have been reached thus far.

All of you are familiar, I am sure, with the traditional Public Housing Project, consisting of newly constructed multi-family units owned and operated by local housing authorities created under the laws of the particular State. However, the Housing and Urban Development Act of 1965 and the Demonstration Cities and Metropolitan Development Act of 1966 contain provisions which could change this pattern. Now assistance can be extended to the local authorities to acquire or rehabilitate existing housing units instead of building new structures. Furthermore, if a housing authority does not want to own the housing, it can now lease for as much as 5 years existing dwelling units and use them for public housing purposes. The assurance of a 5-year lease ought to encourage private builders to construct and supply more of the houses needed for that purpose. With this same assurance, it ought to be possible to interest present property owners in making similar use of houses they own. If improvements are needed to meet minimum standards, the owners should find ample justification for making the improvements under a 5-year lease.

To encourage home ownership, arrangements can be made for public housing families to purchase from the housing authority on very reasonable terms the units which they occupy, provided they are constructed as detached or semi-detached dwellings.

On Indian Reservations, the idea of home ownership has been taken one step further. Projects have been developed under which the construction labor was supplied by the prospective occupants and arrangements were made at the outset for ultimate ownership by the families themselves. In such instances, the contributed labor, rental payments, and annual contributions by the Federal Government, as well as voluntary payments by the families, have helped build up equities in the property and shortened the time required for full ownership. Perhaps this idea can be extended to non-Reservation areas.

There is one other feature common to the Rent Supplement and Public Housing Programs that I should mention. That is the requirement that there be developed and in effect a Workable Program for Community Improvement which has been certified or recertified within the past year by the Department of Housing and Urban Development. There are exceptions which will be mentioned later, but communities nevertheless should be aware of this requirement.

A Workable Program is simply a plan of action on the part of the particular jurisdiction involved to eliminate and prevent slums and blight and to foster development of an area. It does not in itself provide any Federal assistance, although it is a prerequisite for participation in certain programs that do offer financial assistance.

A Workable Program is directed primarily at the improvement of housing for residential purposes. The adoption of codes and ordinances that will assure sound construction and proper use of dwelling units is therefore a matter which must be given major consideration in the development of a Workable Program. Consideration must be given, however, to other aspects of improvement, development and growth.

Even though a plan such as that described is essential for the orderly development of a community, counties and small towns often are reluctant to commit themselves to any such undertaking. Perhaps this results more from a lack of understanding than from the actual obligations associated with such a program. Consequently, any community which indicates an interest in participating in programs requiring a Workable Program for Community Improvement ordinarily will find it beneficial at the outset to arrange for a meeting between the local governing body or representatives thereof and appropriate representatives of the Department of Housing and Urban Development concerned with this particular activity.

Generally speaking, incorporated towns have the legal authority to adopt and carry out the provisions of a Workable Program. Counties may have such authority to a lesser degree. However, this should not stand in the way of counties wanting to participate in programs requiring a Workable Program. Indications are that the Department of Housing and Urban Development will be quite sympathetic to county proposals, if a county goes as far as it can and demonstrates its willingness to work toward getting the necessary enabling legislation which would permit them to carry out an acceptable Workable Program.

Undoubtedly, the Workable Program requirement has discouraged many communities from participating in the Rent Supplement and Public Housing Programs. It should be noted, however, that this requirement is not applicable to Rent Supplement Projects, if the community has never had an approved Workable Program. Even if there has been an approved program, it is not a requirement if no projects were financed in connection with it. In such instances, only the endorsement of the local governing body or other authorized agency is required. Neither is a Workable Program required in connection with Public Housing Projects, if the units to be occupied are to be leased instead of owned by the housing authority.

With these facts in mind and with the considerable flexibility which has been introduced into the Rent Supplement and Public Housing Programs, along with the continuing expansion of the Rural Housing Program, we have a better opportunity than ever before to help meet the continuing need for more adequate housing to accommodate rural people. Our success will depend, in large measure, upon our ability to adapt existing programs to meet those needs.

UNITED STATES DEPARTMENT OF AGRICULTURE
Farmers Home Administration

COMMUNITY SERVICES

Talk by Henry A. Palm, Director
Association Loan Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:30 A.M., Thursday, November 17, 1966

It is indeed a privilege for me to again represent my agency, the Farmers Home Administration, here at your Outlook Conference to discuss with you a few of the new opportunities for better living in rural communities.

The Farmers Home Administration, ever since its inception in the early 30's has had three major objectives as areas of service. They are to preserve and strengthen the family farm, to assist the rural community, and to alleviate rural poverty. We are an agency of the Department of Agriculture authorized and funded to make supervised credit available to deserving rural people who cannot obtain credit from private or cooperative sources at reasonable rates and terms. We are always willing to discuss our programs with rural people or rural groups who are in need of our services.

You may recall that as a member of a panel at your conference in 1963 I discussed with you the "Community Aspects of Housing." I am pleased to report that many of the gaps that existed in our program at that time and which prevented us from assisting rural communities, have been filled by the passage of Public Law 89-240.

There are several different types of loans that our agency is authorized to make, but I will devote my remarks to the financial assistance available to rural groups for central water systems, waste disposal systems, and recreational facilities. With our new authorizations we can really move into that second objective I cited earlier of assisting the rural community.

Thousands of communities that could not afford a modern water and/or waste disposal system can now, with our grant assistance, obtain this vital resource. We can help rural communities reduce pollution, beautify their community, and safeguard their health by developing proper methods of waste disposal. Now we can help rural communities to obtain modern facilities equally as good or better than those found in urban areas.

A recent Gallup poll showed that 49 percent of the people questioned on where they would rather live chose the small town or the open country in preference to the city or metropolitan suburbs. The day is passing when "rural" must imply a backward, underprivileged condition of living from the standpoint of modern advantages.

Our rural community water system program has rapidly gained momentum since 1961. The number of projects we financed rose from 33 in fiscal year 1961 to nearly 1,000 in fiscal 1966.

I previously mentioned the passage of Public Law 89-240, which was effected by the Aiken-Poage Bill that Congress passed last year. A few of the basic amendments that you, as community leaders, should have a working knowledge of are as follows:

It raised the population limit on rural communities served to 5,500 and the cost limit on a single project from \$1 million to \$4 million. It authorized development grants, where necessary, to build water and waste disposal systems that would be beyond the means of rural people in modest circumstances to pay for, unless a grant were made so as to bring user charges down to a reasonable level in the community. This opened the way for fulfilling sewer as well as water system requirements in thousands of rural towns and communities.

A grant can be considered and authorized after the cost of construction for a modest but adequate facility has been determined by competent engineers and the annual user cost is excessive without a grant. In no case can a grant exceed 50 percent of the development cost.

Funds can be borrowed to install, repair or expand rural water supply and waste disposal systems. This includes funds for reservoirs, pipelines, wells, pumping plants, filtration, and treatment systems.

Funds can also be obtained to refinance debts, to pay engineers and attorneys, and to acquire rights-of-way and easements.

The maximum term on the loans is 40 years, and the interest rate cannot exceed 5 percent.

All loans will be secured in a manner which adequately protects the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage will also be taken on the organization's facilities when state laws permit.

Actually there are several agencies that can extend financial assistance for domestic water and waste disposal.

Relationship Between FHA, DHUD, EDA, and Interior in Handling
Financing for Water and Waste Disposal Systems

A. Financial Assistance Available and Task Force Work:

1. Congress passed or revised laws during the last session that provide loans and grants for water and waste disposal systems through the following Departments of Government:
 - a. USDA - FHA
 - b. DHUD - CFA
 - c. Commerce - EDA
 - d. Interior - State Pollution Control Agency
2. This resulted in creating situations where a small town with a population of 1,500 might be eligible for a loan or grant from each of the four departments of Government. The confusion, duplication, and frustration on the part of applicants were recognized by the departments involved. An Interdepartmental Task Force was established to work out guidelines and areas of jurisdiction to enable agencies to operate in a more orderly manner and to provide better service to applicants.
3. Interdepartmental Task Force
 - a. Made up of representatives of each of the four departments and chaired by the Bureau of the Budget. Task force accomplishments were:
 - (1) Established method of handling preliminary inquiries for assistance from applicants.
 - (2) Established jurisdiction for processing applications for loans and grants.
 - (3) Established some uniformity in the percentage of grants for projects.
 - (4) Working toward coordination of interest rates, comprehensive planning requirements, engineering standards, etc.
 - (5) Will continue to work toward improving the coordination between agencies.

(Hand out - (1) Pamphlet, (2) Standard Form 101

I call attention to:

- (1) Assistance available - pamphlet
- (2) Where to file Form SF-101
- (3) Qualified areas - EDA
- (4) Location of receiving offices of each agency

B. Handling Preliminary Inquiry Form (SF-101)

1. County or state office of FHA or regional office of DHUD will usually be contacted first by applicant. County supervisor will assist applicant to complete form.
2. If received by county supervisor, he will forward to state office. State office to be nerve center.

C. Amendments to the Federal Water Pollution Control Act (S. 2947)

This bill, known as the Clean Water Restoration Act of 1966, has passed both Houses and is ready for the President's signature. It would amend the Federal Water Pollution Control Act in the following significant way:

1. Increase substantially the amount of grant funds which could be invested in any one project.
2. Permit grants up to 40 percent for waste treatment facilities in states which contribute as much as 30 percent of the cost or when the project is part of an approved basin plan.
3. Permit grants up to 50 percent if the project is part of an approved basin plan and the state contributes as much as 25 percent toward the basin project.
4. Permit grant funds to be used for the reimbursement of applicants for project costs incurred after June 30, 1966, to the same extent and under the same conditions that grants could have been made before construction started.
5. Authorize grants for the payment of 50 percent of the administrative costs of planning agencies designated by Governors to prepare basin plans.
6. Increase substantially amount authorized for research.
7. Prohibit the financing of projects by other agencies where there is an approved basin plan, unless the Secretary of the Interior determines that the project conforms to that plan.

8. Where there is an approved basin plan, Interior will not be permitted to make a grant jointly with another agency (other than EDA or Appalachia). Likewise, grants by agencies other than EDA or Appalachia are prohibited if Interior is already financing the project.

Community Recreational Facilities

Just what do we mean by "community facilities"? -- water systems, sewer systems, libraries, schools, fire stations, roads, telephones -- they are all community facilities. But there is one more and one which I feel is important and one I would like to start my discussion with -- rural community recreational facilities.

A few short years ago, four to be exact, when the Farmers Home Administration made its first loan to help a small country town to build a golf course and a swimming pool, there were lots of eyebrows raised -- and lots of questions asked. There were those who said, "I told you so." I suppose the eyebrow raising reached its peak when a National columnist wrote in one of the columns the names of all community organizations that had borrowed funds from the Farmers Home Administration to build golf courses and related facilities. On that morning there were skeptics among us, co-workers too, who said, "This is it. We have had it." We soon found out that this meant a flurry of loan applications from hundreds of local communities that realized the necessity for adequate, wholesome outdoor recreational facilities and the need for financial assistance for their development. Also they became aware of a source of credit that was not available elsewhere.

Yes, we even received many favorable inquiries from Congressmen who were genuinely interested in our program. These were followed with many favorable editorials throughout the land.

Listen to what Secretary Freeman said recently to the National Congress of Recreation and Parks:

Every year, 9 out of 10 Americans -- some 175 million of us -- are on the move in search of outdoor fun -- places to picnic, swim, hunt, fish, play, or just to relax and enjoy the fresh air and sunshine. Great as the demand for such facilities already is, we expect it to triple by the end of this century.

This growth will flow from four major factors: (1) Population, expected to nearly double by the year 2000; (2) disposable income, likely to quadruple; (3) leisure time, to increase by one-third; and (4) auto travel, headed for a fourfold increase over present levels. In earlier days there was always a leisure class -- with time for recreation.

Today when the average person has more free hours than working hours in his lifetime, we are on the threshold of becoming a leisure society -- with a gargantuan appetite for recreation.

We must preserve access to the spiritual uplift that comes from being in a place where the breaks in the silence are the splash of a canoe paddle or the leap of a fish, and the songs of birds, where the water is clean and clear and cool, and the pines reach high into the heavens.

This is the recreation challenge. Can we meet it? I believe we can and will.

Now what can you and I do for Rural America in this area? I suggest that we show the way to those community leaders who need to be shown. How many rural towns can you recall just this moment in your home state that sorely need something to help them turn this tide of decay, depression and futility? You, and I, and our co-workers must find the way to light some spark in each rural community.

Our Farmers Home Administrator, Mr. Howard Bertsch, in helping to dedicate a community recreation project at Treynor, Iowa, last summer said: "These fine recreational facilities -- completely modern in every way and especially tailored to the needs of your community -- characterize the change that is taking place in Rural America."

For the first time a new day is dawning in many of our agricultural communities. Small towns that a few years ago were socially and economically depressed -- in a state of decay and the very picture of complete helplessness and futility -- are taking on new life.

-- They are creating modern community facilities including water, sewer, electricity, and telephone systems.

-- They are creating new homes and small garden-type apartments -- better housing for all families, large and small, -young and old.

-- They are creating better schools with qualified teachers and improved facilities so that our young people can obtain a good education.

-- They are creating new small industries -- industries which are providing full-time jobs for the unemployed, including our younger people who are joining the labor force. Industries which are also providing part-time jobs for families -- including some on small farms -- who need additional income if they are to enjoy a decent standard of living.

-- They are creating busier shops, stores and banks.

I have visited many of these towns and many of these communities during the past year.

With their beehive of activity, their renewed growth and new inspiration, they are marking the end of one era in Rural America and the beginning of another.

They are marking the end to a long period of steady deterioration of our rural communities.

They are marking the renaissance of Rural America as an era of new and vast opportunities for all people who wish to live there.

Recreation can create jobs. By 1980 total employment in the management of recreational facilities and in the operation of tourist and related private recreational services is expected to reach about 1.4 million -- an increase of about 3/4 million new jobs from 1960. As many as 350 full-time jobs may result from farms and recreational facilities by 1980. With new jobs come new and improved housing, new appliances in the home, better education, and better living.

How many of these jobs do those rural communities you recalled a moment ago need? How many of these jobs will they get? How many of these jobs will you help them get?

It is estimated that American people today spend more than \$20 billion a year on outdoor recreation. Someone has estimated that by 1980 they may spend about \$47 billion -- nearly 2½ times as much as now.

Out of all of these dollars to be spent, can't we tie some of them to the open area, the clear skies, the clean, clear water, and the uncrowded conditions of Rural America? I think we can.

Already we in the Farmers Home Administration have loaned over \$35 million to 328 rural communities to help them develop modern, up-to-date outdoor-oriented recreational facilities. Many of these are designed to serve primarily the home folks. Many of the others are developed so that the rural community can share with its neighbors and travelers some of America's true natural beauty.

I am sure no group could have a deeper appreciation of the need to be fulfilled through this program than you because you are in daily contact with people. You consult with local business people and leaders in each community, but, most important, you talk to the homemakers. We fully believe that the women and the children on the farm as well as those who live in the rural community or town are the ones who will demand piped-in water, modern sanitary facilities, beautification, and recreational facilities. You, more than anyone else, can help bring the message to people in rural communities that are without services or need to improve or expand their community facilities.

We look forward to sharing with you the satisfaction in the year ahead of bringing the benefits of potable piped-in water under pressure, sanitary facilities, and recreational facilities for all people living in rural communities, because without these basic facilities, you cannot attract industry or stimulate economic or social growth.

This phase of rural areas development has not been done by any one agency or individual. All agencies in the Department have cooperated in bringing services to people, but you, in particular, have made and will continue to make, a major contribution.

I thank you for this opportunity to discuss with you the recent changes in our community services program and how their use can create new opportunities for better living in rural communities. I will be glad to answer any questions you may have at this time.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR PEANUTS IN 1966/67

Talk by George W. Kromer
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:15 A.M., Thursday, November 17, 1966

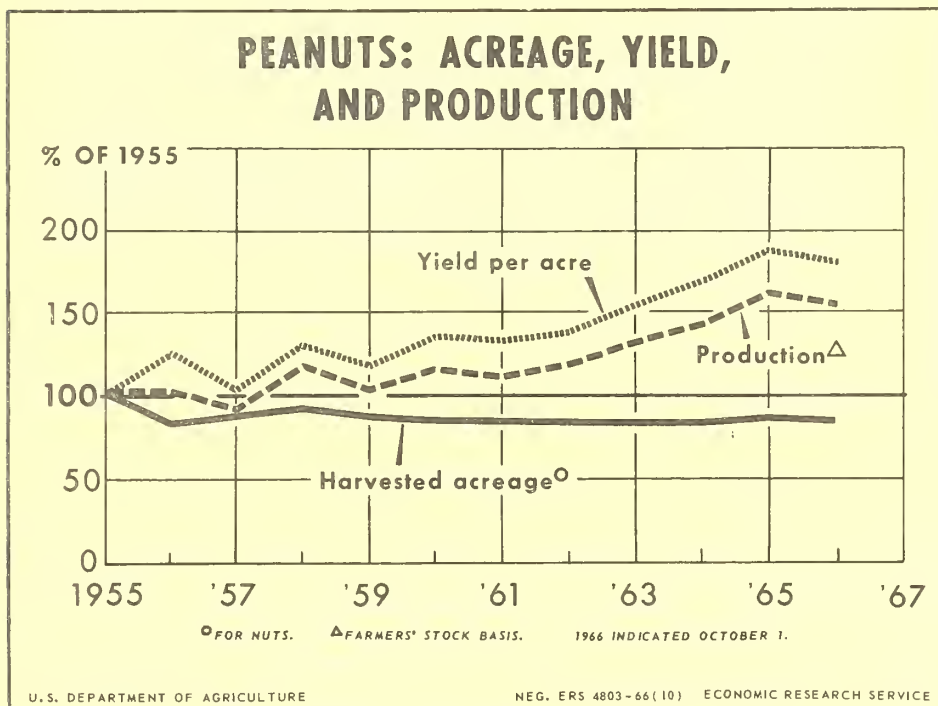


Figure 1

Trend: Peanut acreage harvested for nuts in the United States has remained relatively constant during the past decade. Since 1956, the annual acreage allotment has been held to the 1.6-million-acre minimum permitted by law. But because of the sharp uptrend in yields per acre, peanut production has increased about 55 percent. The U.S. average yield per acre has risen from 928 pounds in 1955 to a record 1,735 pounds in 1965, an increase of 87 percent. The rapid rise in yields reflects increased use of fertilizer, herbicides, shifts to higher-yielding varieties, growth of more plants per acre by closer plantings and closer rows, and increased use of mechanical harvesters.

Outlook: The peanut acreage being harvested for nuts this year, at 1,427,800, is about 1 percent below last year. The 1966 peanut crop is estimated at 2.4 billion pounds compared with 2.5 billion produced in 1965. The lower prospective production is due to smaller yields per acre--1,680 pounds estimated as of October 1 for 1966 compared with last year's record 1,735 pounds.

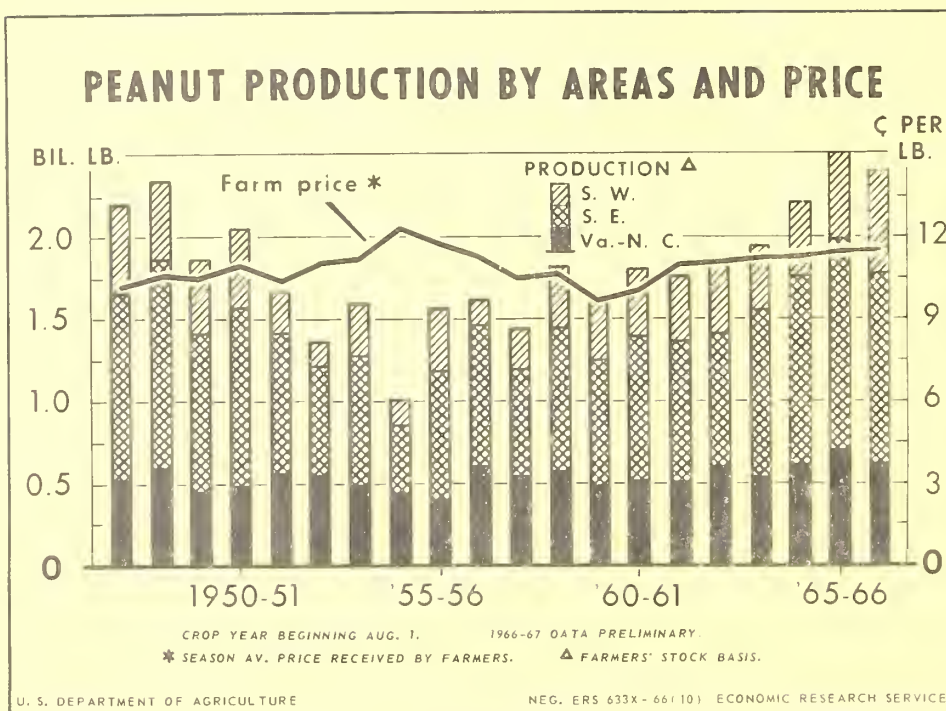


Figure 2

Trend: Peanut output in each of the 3 major producing areas has increased since 1954 (drought year), reflecting uptrend in yields. Annual fluctuations in production are largely due to weather conditions such as drought during the growing period, hurricanes or sustained rains during harvesting and curing and untimely frosts. Peanut yields per acre are highest in the Virginia-Carolina area and lowest in the Southwest. In recent years, roughly 50 percent of total U.S. peanut production has been in the Southeast, 30 percent in the Virginia-Carolina area, and 20 percent in the Southwest area.

Outlook: About half of the 1966 peanut crop is expected to be produced in the Southeast area, with the Virginia-Carolina area and the Southwest each producing a quarter. Expected yields per acre are below the 1965 record in the Virginia-Carolina area and the Southeast. But in the Southwest area, record yields are being obtained this year. U.S. production of peanuts from the minimum acreage allotment has resulted in supplies above edible requirements and CCC has acquired the excess. The 1966/67 outlook is for peanut prices to average around 11.4 cents per pound--about the same as last year. The 1966 crop of peanuts is being supported at a national average loan rate of \$227 per ton (11.35 cents per pound)--up \$3 per ton from the 1965 rate.

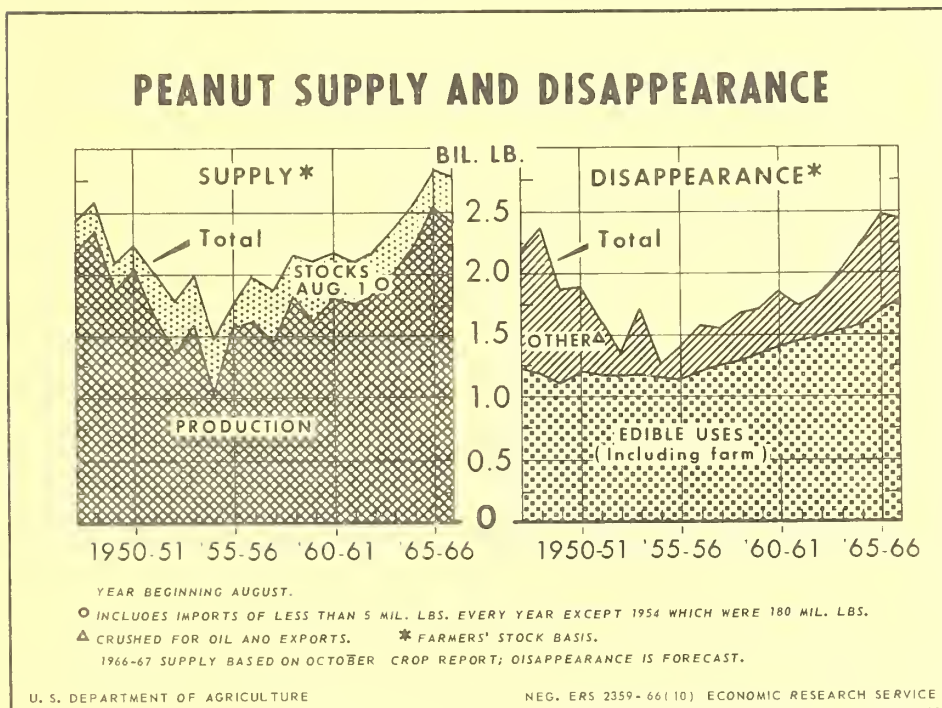


Figure 3

Trend: Peanut supplies have risen from around 1.5 billion pounds (farmers' stock basis) in 1954 to a record 2.8 billion in 1965. Edible uses during the same period moved up steadily from about 1.1 billion pounds to 1.7 billion. Crushings and exports have increased in recent years because of large surpluses above edible requirements.

Outlook: Total supply of peanuts in the 1966/67 marketing year that started August 1 is estimated at about 2.8 billion pounds--slightly less than the 1965/66 record. Edible uses are expected to continue upward during 1966/67. A growing population with more income to spend along with increased consumer acceptance of quality peanut products are factors boosting consumption. In spite of a prospective increase in edible consumption, about a fourth of the 1966 peanut crop will be available for crushing, exports, and stock accumulation. Most of the peanuts placed under the support program are expected to be acquired by CCC. Peanut crushings during 1966/67 are expected to total close to the 0.5 billion pounds (farmers' stock basis) crushed last year. The level of crush will depend somewhat upon the CCC diversion policy (with respect to peanuts acquired under the 1966 support program), and the quality of the 1966-crop-peanuts. Peanut exports and shipments in 1966/67 probably will decline from the nearly 0.3 billion pounds last year because of smaller U. S. availabilities.

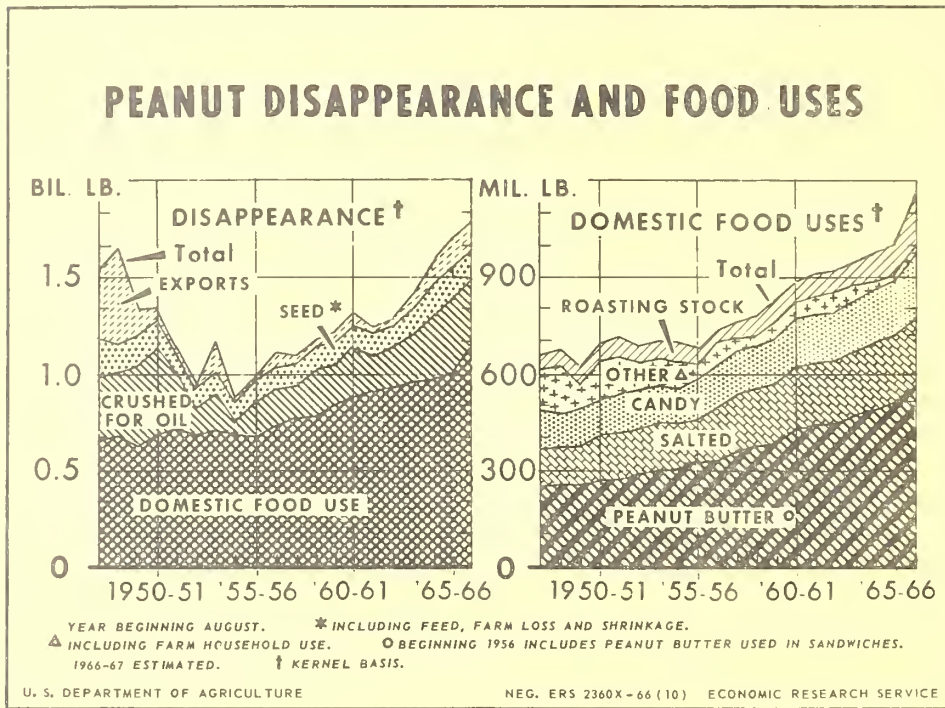


Figure 4

Trend: More than two-thirds of the total U.S. disappearance of peanuts is in edible products--chiefly peanut butter, candy, salted and roasted in shell. The remaining one-third is crushed for oil and meal, exported, used for seed and feed, or is classified as farm loss. Distribution of the record 1965 crop was as follows: Domestic food use, 61 percent; crushings, 21 percent; exports, 10 percent; and seed, feed and loss, 8 percent.

Since 1955/56, the edible consumption of peanuts (kernel basis) has risen from 0.7 billion pounds that year to a record 1.1 billion in 1965/66. In terms of per capita (farmers' stock basis), the increase has been from 5.8 pounds (4.1 shelled) to 7.7 pounds (5.6 shelled). Of this, almost 7 pounds are consumed in the form of peanut butter (including sandwiches), salted peanuts, and in candy. The other pound is divided almost equally between cleaned roasting stock peanuts (the ball-park type) and those consumed as food on the farm. In 1965-66, about 56 percent of the total edible peanuts went into the manufacture of peanut butter, 23 percent were salted, and 19 percent were used in candy.

Outlook: The edible consumption rate of peanuts for 1966-67 is estimated at about 8 pounds per person (6 shelled basis)--up slightly from the 7.7 pounds a year earlier. With an increased population, this means that total consumption will be even higher. The increase probably will be in the edible uses category--mainly peanut butter. Demand for peanut products has increased in recent years at relatively stable prices to peanut growers.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR TOBACCO

Talk by Arthur G. Conover
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 10:50 A.M., Thursday, November 17, 1966

Leaf Tobacco

In the past year considerable progress was made in adjusting supplies of tobacco towards a better balance with requirements, and further progress is in prospect. This year's crops of flue-cured and burley are below the combined domestic use and exports anticipated for the current marketing year, consequently stocks at the start of the 1967-68 marketing year will decline further from the 1965 record highs.

As prescribed by legislation, the 1967 flue-cured marketing quota will be announced by December 1 of this year, and marketing quotas for burley, Maryland, fire-cured, dark air-cured, sun-cured and certain cigar tobaccos will be announced by February 1, 1967. Referendums will be held for growers of Maryland, fire-cured, and dark air-cured tobaccos to vote on whether they favor marketing quotas and acreage allotments on their 1967-69 crops. Growers of the other kinds of tobacco mentioned above voted in previous referendums for quotas applicable to the 1967 crop.

Government price support is mandatory for the kinds of tobacco produced under marketing quotas. Price support levels for the 1967 tobacco crops will be established by raising the 1959 support levels in accordance with the percentage increase in the parity index from 1959 to 1964-66 (the average of the most recent 3 calendar years). The procedure is specified by law. Over a period of time, the parity index measures average change in the prices of commodities and services commonly bought by farm families. Available data indicate that the 1967 crop price supports will increase 2 percent above 1966; the price supports for the 1966 crops rose 2 percent above 1965 after 4 successive years when the increase amounted to 1 percent each year.

Flue-cured tobacco: The 1966-67 total supply of flue-cured is about 1 percent below 1965-66 and about $5\frac{1}{2}$ percent below the record 1964-65 level. Carryover stocks in mid-1966 were down $4\frac{1}{2}$ percent from the record high of a year earlier. This year's crop--the second produced under the acreage-poundage program--is estimated at about 7 percent above the relatively small 1965 crop. A substantial increase in 1966-67 marketing year's exports is likely, and this will result in a further sizable reduction in carryover by mid-1967. Domestic use in 1966-67 probably will not vary markedly from 1965-66. Govern-

ment loan stocks of flue-cured on November 1, 1966, though still ample, were down 31 percent from their peak of January 1, 1965.

By early November, about nine-tenths of the flue-cured crop had been marketed. The season-average price will probably be near $67\frac{1}{2}$ cents per pound--about 3 cents higher than 1965 and a new record. The general quality of much of the 1966 flue-cured crop is well above average. Placements under Government loan through early November amounted to only about 3 percent of market deliveries, but loan placements rose sharply in late October. About $3\frac{1}{2}$ times as much types 11-13 flue-cured was sold untied in 1966 as in 1965; price support was provided for all grades for the first 12 days of marketings, instead of being limited to certain grades for the first 7 days as in the 1963-65 seasons.

Burley tobacco: The 1966-67 total supply of burley is about 4 percent below the comparatively high average level of the preceding 2 years. Carryover on October 1 was $1\frac{1}{2}$ percent below the record high of a year earlier. As of October 1, the burley crop was indicated to be 7 percent below 1965, and the smallest in 6 years. Burley acreage is down more than one-eighth due to the cut in allotments, but record high yields per acre partly offset this reduction. Domestic use of burley in 1965-66 declined some from the exceptionally large quantity indicated for 1964-65, but exports increased a bit and about equalled those of 2 years earlier. The combined domestic use and exports for 1966-67 will likely be up some from 1965-66. In the past year there have been fairly heavy sales from Government loan stocks of burley. The 1966 crop auctions will start November 28.

Other Tobaccos: The 1966-67 supply of Maryland tobacco is estimated to be down a little from the record 1965-66 level. Adverse growing conditions reduced this year's harvestings. Domestic use in 1965-66 showed a sizable gain, and 1965-66 exports rose 15 percent above the 10-year low of a year earlier.

The 1966-67 supply of Kentucky-Tennessee fire-cured tobacco is smaller than a year earlier, but there is little change in the supply of Kentucky-Tennessee dark air-cured. The 1966 crops are indicated to be up from the 5-year lows of a year earlier but carryovers declined. Exports of Kentucky-Tennessee fire-cured in 1965-66 rose to a 4-year high. The 1966-67 supply of Virginia fire-cured is near the level of the preceding 2 years with this year's crop indicated as second lowest of the past 6 years. The Virginia sun-cured is also down, and total supply is at a long-time low.

The 1966-67 supply of Pennsylvania filler tobacco is considerably below 1965-66 due mainly to the sharp reduction in the crop from last year. The indicated increase in production of the much smaller-volume Ohio filler may maintain the 1966-67 supply of that type near the long-time low of 1965-66. Production of the Puerto Rico cigar filler is being sharply reduced for the second year in a row; plantings occur late in the calendar year. The October 1 carryover of Puerto Rican tobacco was down considerably from the long-time high of a year earlier.

The 1966-67 supply of Connecticut Valley cigar wrapper tobacco is record high due mainly to a rise in carryover. The 1966-67 supply of Georgia-Florida cigar wrapper fell to a 7-year low, as the sizable reduction in harvestings more than offset the increase in carryover. The 1965-66 domestic use of both wrapper types declined from the highs of a year earlier; however, total exports of cigar wrapper recovered considerably from the 4-year low of a year earlier.

Tobacco Products

Cigarettes: The 1966 output of cigarettes is expected to total around 570 billion--approximately 13 billion above 1965 and above any previous year. Consumption by U.S. smokers (including those shipped for overseas forces) is estimated at 541 billion--2 percent higher than in 1965, and also a new high. This year's per capita consumption--total consumption divided by total population 18 years and over--is estimated at 4,290 ($214\frac{1}{2}$ packs)--a gain of seven-tenths of 1 percent over 1965, but still below the 1963 record of 4,345 ($217\frac{1}{4}$ packs). In 1966, cigarette shipments to overseas forces rose sharply. Also, exports to foreign markets have been ahead of last year. In 1967, it seems likely that total consumption of cigarettes will show some further increase. In 1967 as in 1966, the high level of consumer incomes, more people of smoking age, and substantial overseas shipments will likely be important factors affecting cigarette consumption. Legislation enacted in 1965 requires a report to Congress by July 1, 1967, from the Department of Health, Education, and Welfare concerning current information on smoking and health; also required is a report from the Federal Trade Commission on the effectiveness of cigarette labeling which commenced January 1, 1966, and on cigarette advertising practices.

Flue-cured, burley, Maryland and imported tobaccos are blended in the typical cigarette manufactured in the United States. In the past decade, the percentage increase in quantity of unstemmed tobacco used for cigarettes was considerably less than in the number of cigarettes manufactured. The technology of reconstituted sheet tobacco was a contributory factor. This process enables manufacturers to utilize midribs of tobacco leaves and small leaf particles, thus increasing the quantity of cigarette filler obtained from a given quantity of leaf. Also, the trend toward filter tip cigarettes during the past decade, and still continuing, has reduced tobacco requirements per unit of output, inasmuch as the tobacco column of most filter tip brands is shorter than for nonfilter tips.

Cigars and Cigarillos: The 1966 consumption of cigar and cigarillos may be near $8\frac{1}{2}$ billion--2 percent below 1965 and 7 percent below the record high of 1964. Cigar and cigarillo consumption per male 18 years and over in 1966, at 140, declined about 3 percent below 1965, but was 13 percent above the 1960-63 average. No marked change in total cigar consumption seems likely in 1967. Manufacture of cigars in Puerto Rico continues to increase; this year, shipments to the mainland probably will account for over one-eighth of the cigars consumed

by U.S. smokers. Exports of cigars, although not large relative to production (less than 1 percent), are likely to reach a new high this year. The 1966 taxable removals of small cigars (cigarette size and not counted in the cigar-cigarillo total) probably will be fairly near the 435 million total of 1965.

Smoking Tobacco: The 1966 output of smoking tobacco for pipes and roll-your-own cigarettes is estimated at 70 million pounds, $2\frac{1}{2}$ percent below 1965, and down 15 percent from 1964 when there was an upsurge in consumption following the smoking-health report. Smoking tobacco consumption per male 18 years and over is estimated at a new low-- $2\frac{1}{2}$ percent below last year and 11 percent below 10 years ago. No marked change is expected in the consumption level of smoking tobacco in 1967.

Chewing Tobacco and Snuff: The 1966 output of chewing tobacco may be near 65 million pounds--about the same as 1965. Since 1960 the combined output of the different categories of chewing tobacco has been fairly stable inasmuch as increases in scrap and fine-cut chewing about offset decreases in plug and twist. The 1966 consumption of chewing tobacco per male 18 years and over is estimated at only slightly below 1965, but has dropped 20 percent in the past 10 years. The 1966 output of snuff is estimated at $29\frac{1}{2}$ million pounds, down slightly from 1965 to a long-time low. Per capita consumption of snuff has dropped 30 percent in the past decade. Over the longer term, consumption of chewing tobacco and snuff is likely to continue to decline. Chewing tobacco utilizes burley, dark air-cured, Wisconsin, and Pennsylvania tobaccos, and snuff utilizes mainly fire-cured tobacco.

Exports and Imports of Unmanufactured Tobacco

The U.S. has long been the leading tobacco exporting country; tobacco is one of **our** top 5 agricultural exports. But expansion of production and exports of foreign countries has cut deeply into the U.S. share of the Free-world tobacco trade; it dropped from 35 percent in 1955-59 to 26 percent in 1965. In fiscal 1965-66, U.S. tobacco exports were second lowest in 11 years. In 1966-67, the current fiscal year, however, U.S. tobacco exports are likely to exceed every year since 1955-56; they may approximate 560 million pounds (export weight) up 15 to 20 percent from last year's low level. The improved quality of flue-cured tobacco produced under the acreage-poundage program, and the expanded Government export payment program on eligible kinds of tobacco (effective July 6, 1966) are major contributory factors. The widespread ban on the importation of Rhodesian tobacco is increasing takings from the United States, but the duration of this factor is uncertain. From a longer-range standpoint, the level of U.S. tobacco exports will be affected by the eventual settlement of the Rhodesian situation, and also by decisions of the European Common Market on import duties and other restrictions concerning tobacco.

U.S. manufacturers import substantial quantities of tobacco for blending with U.S. tobaccos. Cigarette leaf imports for consumption in 1966 may approximate 135 million pounds (declared weight)--3 million below the 1965 record. Total arrivals (general imports) have been very large, however, and October 1, 1966, stocks were well above any previous October level. Cigar tobacco imports for consumption in fiscal 1965-66, at 60 million pounds (farm-sales weight), were down one-fourth from 1964-65. Total arrivals of Dominican, Colombian and Brazilian tobacco declined sharply and stocks have been reduced considerably. Stocks of Philippine tobacco, however, are relatively large.

UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

OUTLOOK FOR FATS, OILS, AND OILSEEDS IN 1966/67

Talk by George W. Kromer
Economic and Statistical Analysis Division
at the 44th Annual Agricultural Outlook Conference
Washington, D. C., 9:15 A.M., Thursday, November 17, 1966

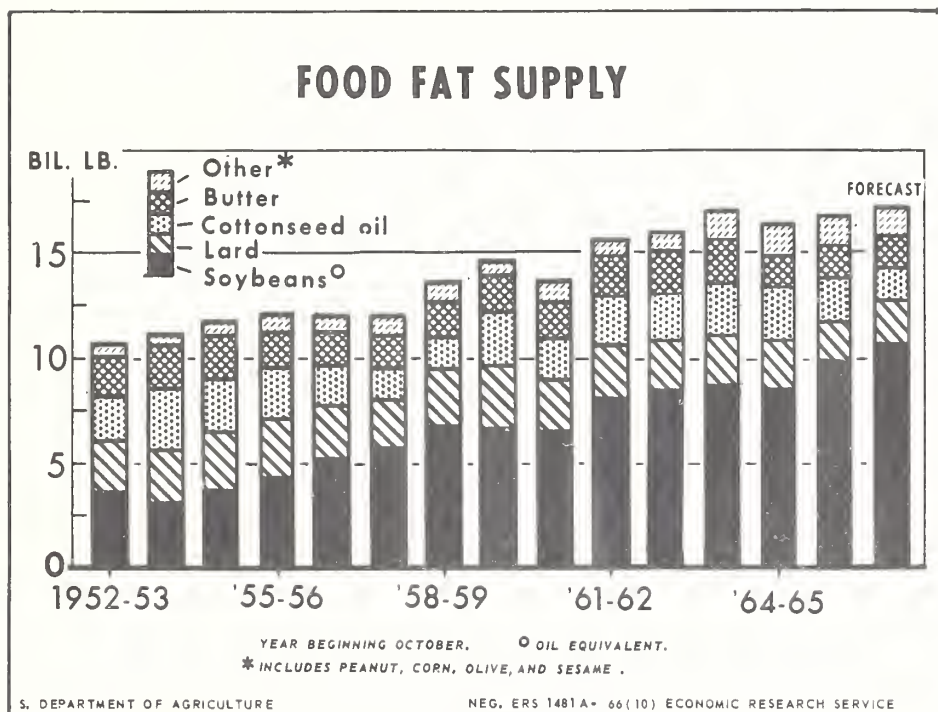


Figure 1

Trend: U.S. supplies of edible fats, oils, and oilseeds rose from 10.7 billion pounds (oil equivalent of oilseeds) in 1952 to 16.5 billion pounds in 1965, an increase of 55 percent. The gain is attributed mainly to soybeans as supplies of lard, cottonseed oil, and butter are now sharply lower than in the early 1950's. Soybeans currently represent about two-thirds of the total U.S. supply compared with one-third in 1952. Corn oil and edible beef fat supplies have shown a steady growth pattern but are still relatively small in the total fats and oil economy.

Outlook: Total U.S. supplies of edible fats, oils, and oilseeds during the 1966/67 marketing year that started October 1 are forecast at 17.2 billion pounds--around 4 percent more than last year. Increased output of soybeans and lard will more than offset a sharp cutback in cottonseed oil. Domestic use and exports of edible fats and oils are expected to rise approximately in line with increased availabilities in 1966/67. This would leave relatively low levels of carryover stocks in October 1967.

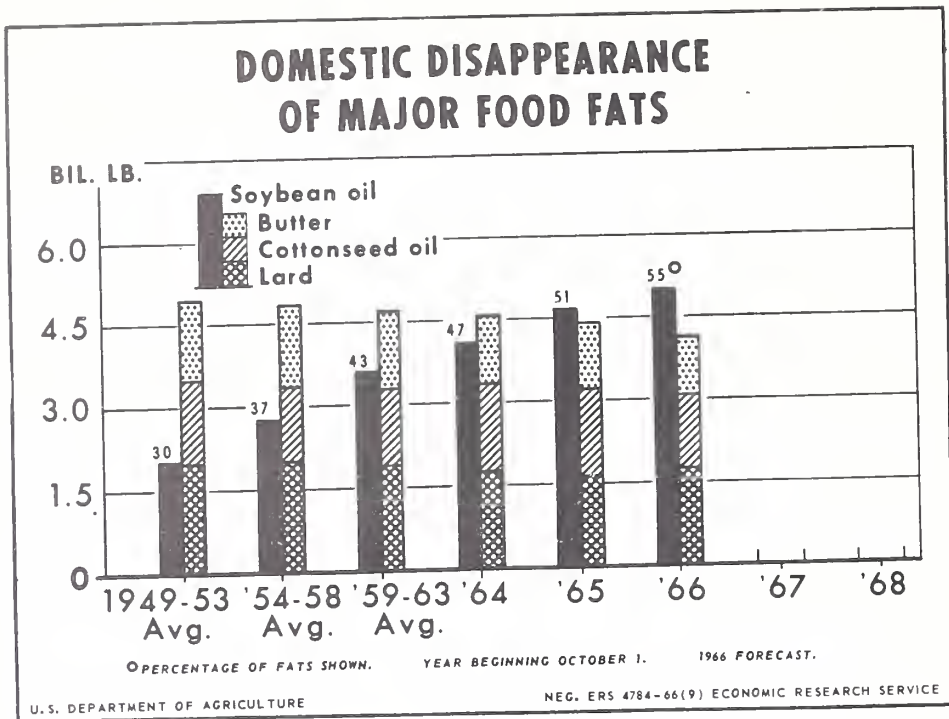


Figure 2

Trend: Total domestic disappearance of the major food fats increased from the 1949-53 average of 7.0 billion pounds to about 9.0 billion in 1965. During this period, soybean oil gained steadily, from 30 percent of the fats shown to over 50 percent in 1965. Increases in soybean oil more than offset declines in butter and lard as cottonseed oil usage held relatively stable. The steady growth pattern for soybean oil reflects in part the consumer shift from animal fats to vegetable oils and liquid-type oil products. It also reflects the expanding use of vegetable oils in the production of margarine, shortening, mayonnaise, salad dressings, potato chips, frozen french fries, mellorine, bakery products (cookies, crackers, etc.), and other prepared foods.

Outlook: Further increases in population and consumer incomes along with large military procurement probably will keep domestic disappearance of food fats and oils at near-record levels. Domestic disappearance of the major food fats in 1966/67 is forecast at about 9.2 billion pounds, up a little from a year ago. However, soybean oil probably will reach new highs--both in total usage and relative proportion--accounting for around 55 percent of the major fats utilized. Cottonseed oil disappearance will drop because of the short supply and relatively high price. Lard is expected to increase slightly in 1966/67 but butter consumption likely will drop to a record low. The total food fat disappearance rate in 1966/67 probably will be less than the 49 pounds per person calculated for 1965/66 but above the average of recent years.

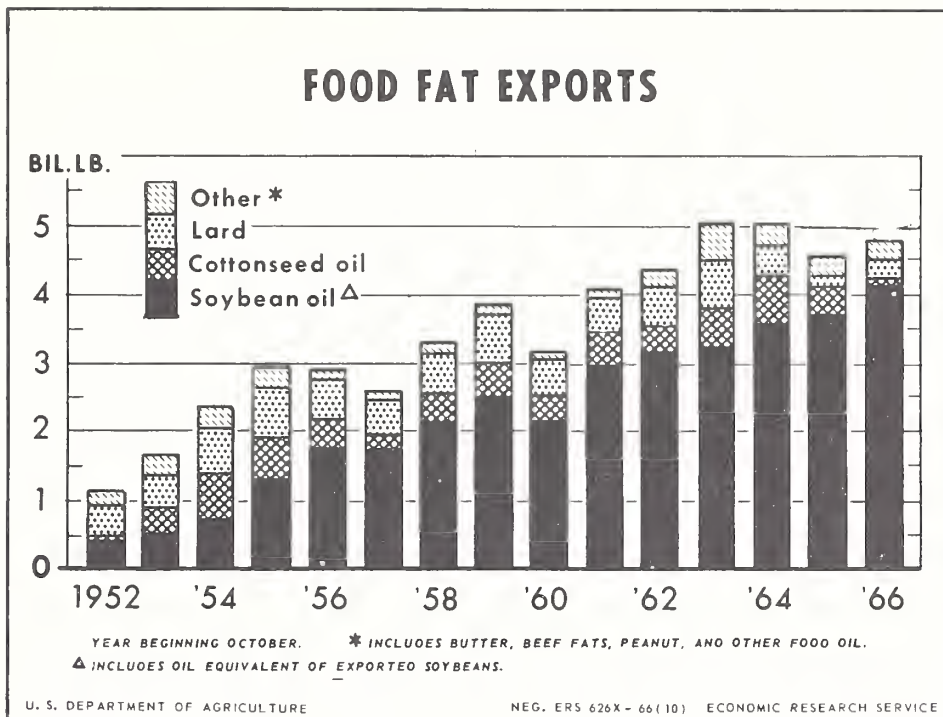


Figure 3

Trend: U.S. exports of food fats and oils (including the oil equivalent of soybeans) increased from 1.0 billion pounds in 1952 to a record 5.1 billion pounds in 1963 and 1964. In spite of record soybean shipments in 1965, total exports dropped because of sharp reductions in edible vegetable oils, lard and butter. In 1952, total exports accounted for only a tenth of the U.S. output of these commodities but by 1965 the proportion increased to a third. The increase in U.S. exports is attributed to soybeans (including soybean oil) which now represents about four-fifths of the total food fat exports.

Outlook: The quantities of edible fats and oils available for export in the 1966/67 marketing year that started October 1 are estimated at 4.8 billion pounds, compared with 4.5 billion exported last year and the record 5.1 billion pounds in 1964/65. Such a total export volume would account for about one-third of the 1965/66 U.S. output of these commodities.

Export dollar demand for soybeans will continue strong during 1966/67 and more lard is expected to be shipped abroad. Edible vegetable oil export prospects for the 1966/67 marketing year are highly uncertain at this time. The quantity shipped will depend on such factors as the level of activity under government-export programs, price trends here and abroad, and the size of competitive foreign oilseed crops.

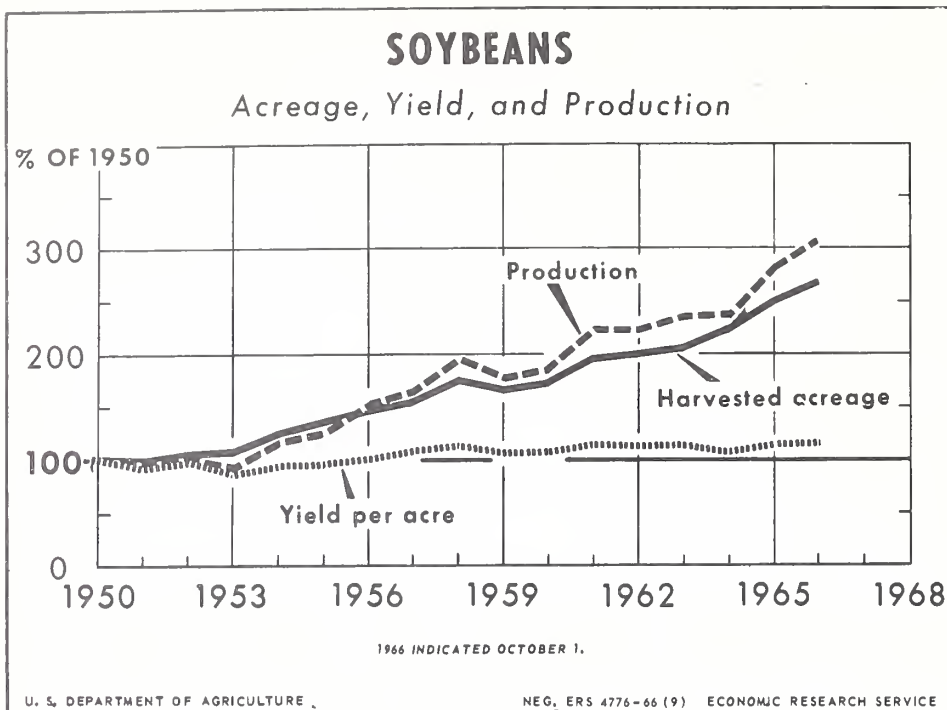


Figure 4

Trend: U.S. soybean production has tripled since 1950, primarily because of a similar increase in harvested acreage. The average yield per acre has shown little trend during this period. Since 1956, the U.S. soybean yield has remained on a plateau, varying between 21.8 bushels per acre that year and the 1961 peak of 25.2 bushels. The relatively stationary yields partly reflect the rapid expansion of soybeans into new areas for which available varieties were not so well suited, and the planting of soybeans by many farmers lacking experience with the crop. Breaking the so-called yield barrier continues to be one of the most challenging problems facing soybean researchers and the industry. Low yields are holding soybeans second to corn in the Corn Belt and second to cotton in the Cotton Belt.

Outlook: The 1966 soybean crop as of November 1 was estimated at a record 929 million bushels--10 percent above the 844 million bushels in 1965. Acreage to be harvested for beans was 36.9 million, up nearly 7 percent from 1965. Increases occurred in most producing States and rapid expansion continued in southern areas. Estimated national yield November 1 was 25.2 bushels per acre, 0.8 bushels above last year and equal to the 1961 record. The favorable market prices during 1965/66 were a predominant factor encouraging farmers to expand their 1966 soybean acreage. Soybean acreage is expected to increase again in 1967.

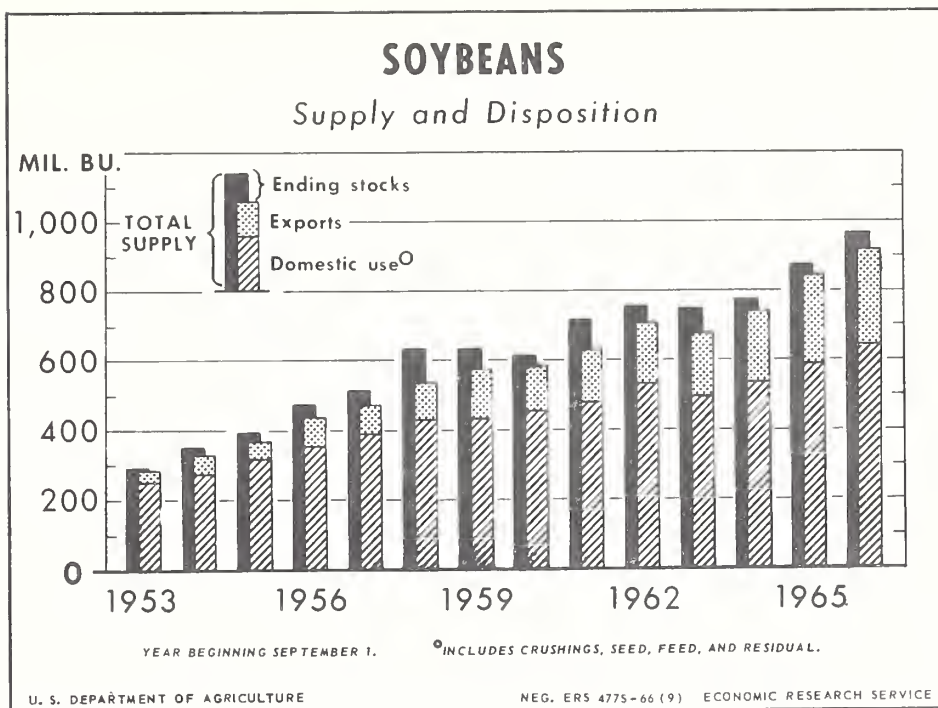


Figure 5

Trend: U.S. supplies of soybeans have trended upward from about 300 million bushels in 1953 to 873 million in 1965. The increase was due to the expansion in production as carryover stocks remained relatively low. Domestic use (mainly crushings for oil and meal) increased sharply during the period but the biggest percentage gain was in exports. In 1953, domestic use accounted for 86 percent of the total soybeans utilized and exports 14 percent. In 1965, however, domestic disappearance of soybeans comprised 70 percent of the total and exports 30 percent.

Outlook: Soybean supplies during the marketing year that started September 1, 1966, are estimated at a record 965 million bushels--92 million more than a year earlier. This consists of a carryover of 36 million bushels and the 1966 soybean crop of 929 million bushels. The demand for soybeans in 1966/67 will be substantially greater than last year and at prices well above support. Most of the 1966 soybean crop probably will be utilized, so carryover stocks on September 1, 1967, may be slightly above this year's relatively small 36 million bushels. Soybean crushings in 1966/67 may total around 585 million bushels--roughly 50 million more than the 1965/66 record. Prospects for expanding domestic and foreign demand for soybean meal may largely determine the crush in 1966/67. A growing foreign demand for soybeans, particularly in Europe and Japan, points to a possible increase in exports, perhaps around a tenth above last year's record 251 million bushels. The rate of exports will hinge in part on the level of soybean prices after the fall harvest and the size of competitive foreign oilseed crops.

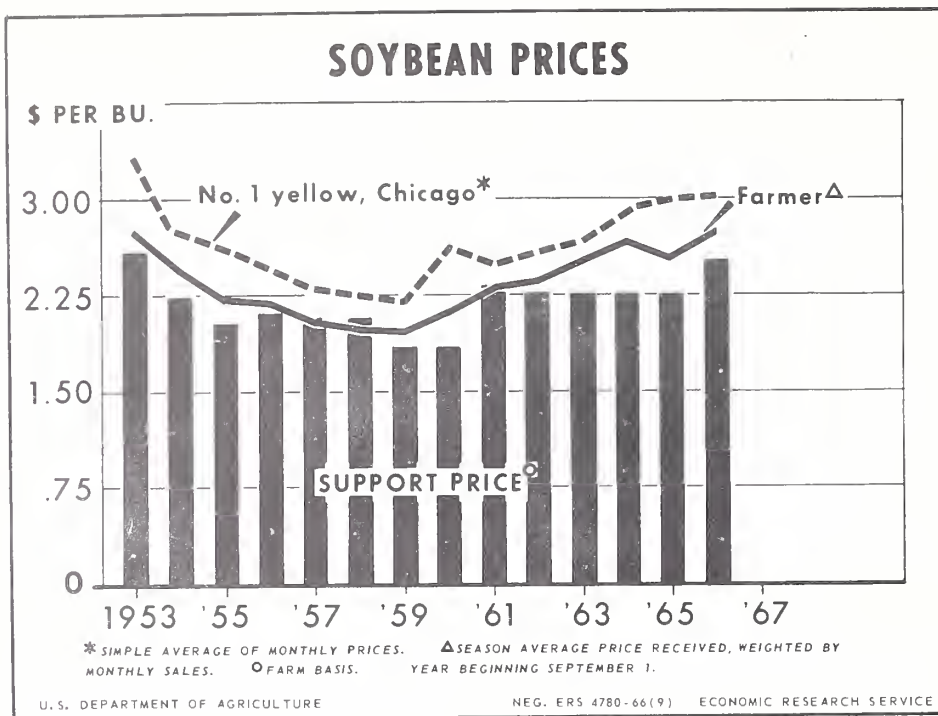


Figure 6

Trend: In most years since 1953, the U.S. season average price received by farmers for soybeans has been somewhat above the government support rate, and the gap has widened in recent years. The season average farm price has trended upward nearly \$1 per bushel since 1959. The support price for 1966-crop soybeans is \$2.50 per bushel, 25 cents per bushel over the rate which had been in effect during 1962/65. Soybean prices at Chicago usually average around 20-25 cents a bushel over U.S. farm prices. While in some years significant quantities of soybeans were placed under the CCC price support program, these beans were subsequently needed and carryovers remained small.

Outlook: Because of the continued relatively close balance between supply and prospective utilization in 1966/67, the season average price received by farmers may average around a tenth higher than the \$2.53 per bushel in 1965/66. Prices to growers in October--a big month for harvesting and marketings--averaged \$2.78 per bushel, compared with \$2.31 in October 1965. Apparently, large quantities of soybeans are being stored this year, while farmers sold heavily during the fall harvest in 1965. Although soybean prices to farmers are expected to continue favorable throughout the 1966/67 marketing year, a price rise like the advance of more than \$1 per bushel from October 1965 to August 1966 is not likely. Soybean prices may increase only moderately from seasonal lows this fall to spring highs. In some past years, when prices were high at harvest and farmers stored large quantities of soybeans, prices subsequently declined, contrary to the usual seasonal pattern.

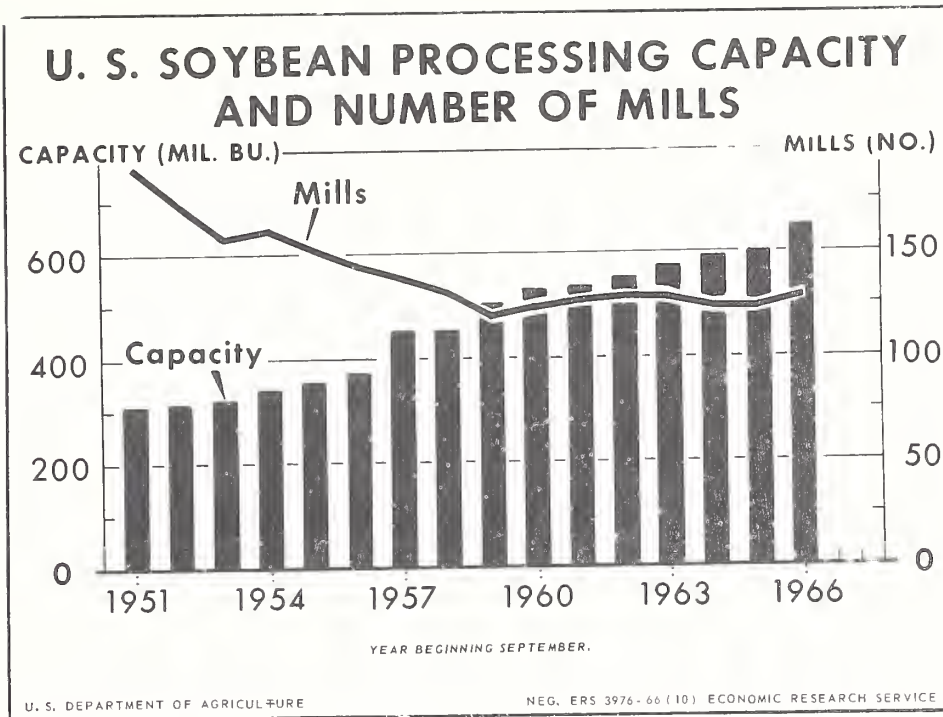


Figure 7

Trend: The soybean processing industry has increased its plant capacity in recent years along with the sharp growth in soybean production and rapidly expanding markets for soybean oil and meal. Since 1951, soybean processing capacity has doubled, rising from 310 million bushels that year to 600 million in 1965. Meanwhile, the number of mills processing soybeans dropped from 193 to around 128 and the average mill size increased. Since 1958, however, the number of mills has leveled off, varying between 121 and 128 annually. Processing capacity has exceeded actual crushings by about 20 percent despite the sharp uptrend in soybean production and reduction in mills.

Outlook: Trade sources estimate the U.S. soybean processing capacity for 1966/67 season at about 650 million bushels compared with 600 million the year before. On a monthly basis, this would be around 55 million bushels compared with 50 million in 1965/66. A 1966/67 crush around 585 million bushels would mean an operating rate for the industry around 90 percent of capacity. During the past year, there were some processing plants constructed and others expanded existing facilities. However, some of the new plant capacity probably will not be available until later in the marketing year. Also, more cottonseed crushers will process soybeans this year because of the smaller cottonseed crop. Cottonseed oil mills not having solvent extraction equipment are not as efficient in processing soybeans as most soybean mills in the Corn Belt.

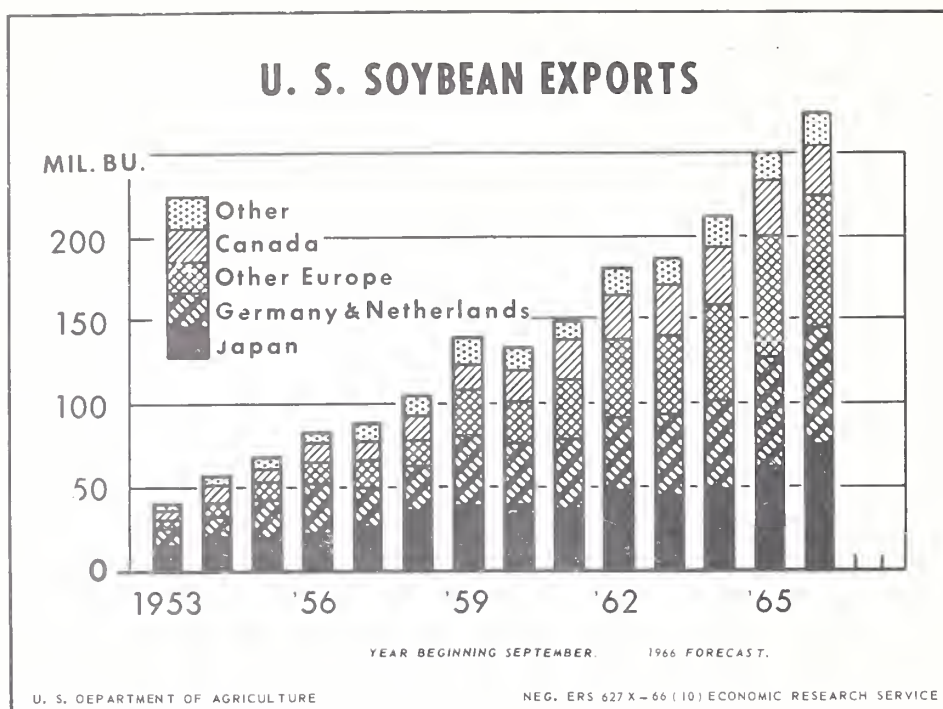


Figure 8

Trend: U.S. soybean exports have increased steadily from 40 million bushels in 1953 to 251 million in 1965. The average annual rate of increase was around 17 percent. Western European countries, Japan, Canada, and Israel are the major foreign markets for U.S. soybeans, accounting for about 95 percent of U.S. soybean exports in 1965/66. These economically advanced dollar markets use U.S. soybeans as a source of meal in animal feeds, and edible oil in food products. Spain has emerged as a significant new outlet for U.S. soybeans, taking 18 million bushels in 1965/66.

Outlook: Soybean exports during the marketing year that started September 1 may total around a tenth above the 1965/66 record of 251 million bushels. The increase over last year is expected to go primarily to Continental Europe and Japan. The season's rate of exports will depend upon soybean price movements during 1966/67 and the size of competitive foreign oilseed crops. Soybean exports this fall are lagging slightly behind the 1965 rate mainly because of the high soybean prices during the summer of 1966. Last year exporters bought soybeans in the summer of 1965 for October-December shipment when prices were relatively attractive. In early 1967, soybean exports probably will pull ahead of the year-earlier rate. The increase is expected to widen as the year progresses. From September 1 through November 4 about 39 million bushels of soybeans were inspected for export compared with 42 million the same period in 1965.

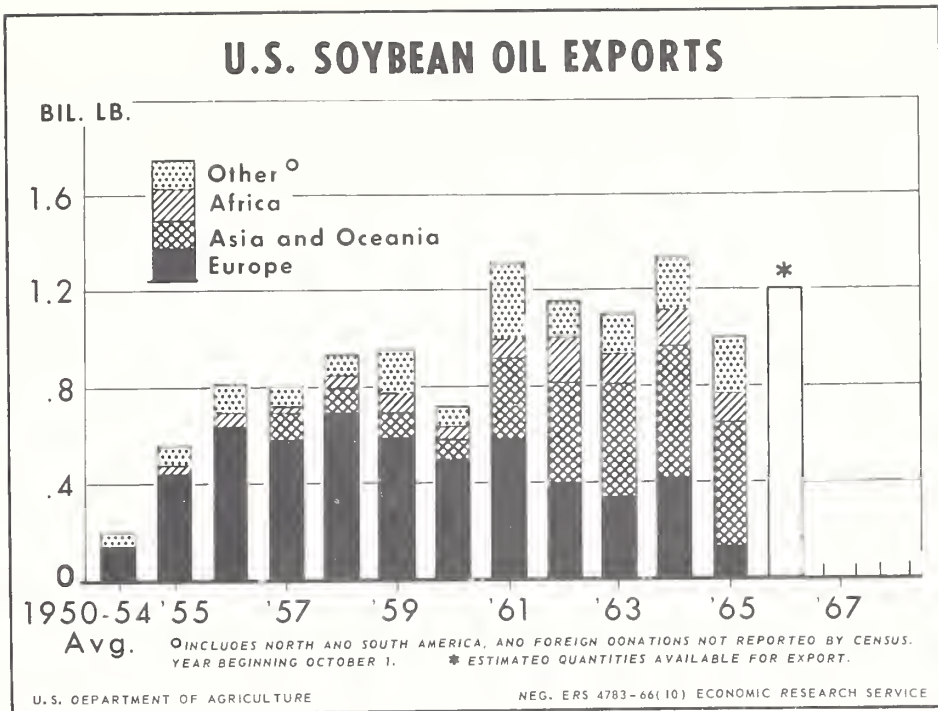


Figure 9

Trend: U.S. soybean oil exports trended upward from the 1950/54 average of 0.2 billion pounds to a record 1.3 billion in 1964/65. Most of the gain was attributed to increased shipments under government-export programs (P.L. 480). Exports in 1965/66 fell to 0.9 billion pounds, due to a drop in commercial dollar demand as well as reduced P.L. 480 shipments (mainly Title I, foreign currencies). Exports to Europe, formerly the most important market for U.S. soybean oil, have dropped sharply in recent years, and Asia and Oceania have emerged as our largest market.

Outlook: An increase of nearly 10 percent in the soybean crush and the larger oil carryover would result in a record 6.8 billion pound supply of soybean oil for the 1966/67 marketing year. Estimated output for 1966/67 is 6.3 billion pounds. Domestic disappearance is forecast at 5.1 billion pounds, leaving about 1.2 billion pounds of the current year's output available for export during the year or increasing carryover stocks on September 30, 1967. Soybean oil export prospects for the 1966/67 marketing year are highly uncertain at this time. The quantity shipped during the 1966/67 marketing year will depend on such factors as: (1) the level of activity under the government-export programs; (2) the level and trend in soybean oil prices here and abroad during the marketing year; and (3) the size of oilseed crops achieved by foreign competitors (reliable estimates for many of these crops will not be available until early 1967).

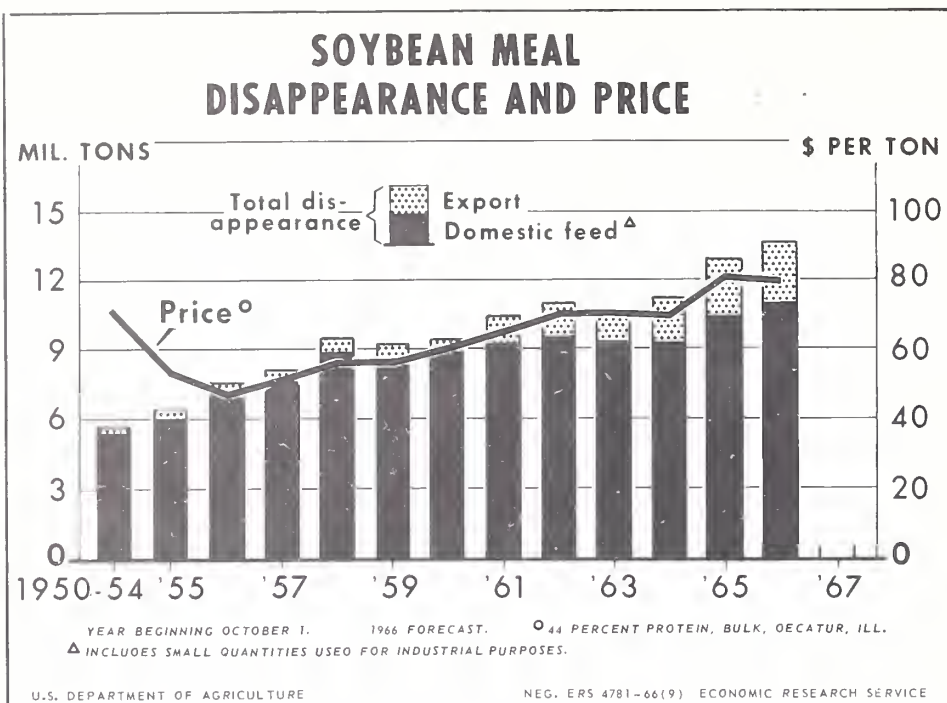


Figure 10

Trend: Total disappearance of soybean meal has increased from about 5.6 million tons during 1950/54 to 12.9 million in 1965/66. Domestic feed use during this period nearly doubled, from 5.5 million tons to 10.3 million. Soybean meal is utilized mainly in mixed feeds as high protein rations for poultry, hogs, and cattle. In recent years, soybean meal exports have become an increasingly important outlet for U.S. soybean meal. During the past decade, soybean meal prices have trended upward, from \$47 per ton in 1956/57 to \$80 in 1965/66.

Outlook: The soybean meal supply for the 1966/67 marketing year that started October 1 is estimated at 13.9 million tons, up from 13.0 million in 1965/66. With continued large domestic use of protein feeds and reduced supplies of cottonseed meal, domestic use of soybean meal is expected to increase to around 11 million tons, about 7 percent above 1965/66. This would leave around 2.9 million tons available for export and carryover meal stocks on October 1, 1967. Considerations in the domestic disappearance forecast for soybean meal during 1966/67 compared with a year earlier include: (1) a sharp reduction in cottonseed meal available for feeding; (2) continuation of the expanding demand for livestock products; (3) an increase in poultry and hog numbers but slightly less cattle; (4) less favorable livestock feed-price ratios; and (5) growing competition from synthetic urea as a protein source. The number of high-protein consuming animal units is estimated for 1966/67 at about 3 percent larger than a year earlier. If animal units increase as expected, total protein feeds available per animal unit would be down only slightly from the 235 pounds fed in 1965/66. Soybean meal prices during 1966/67 are expected to continue relatively high, since supply and prospective requirements appear to be in close balance.

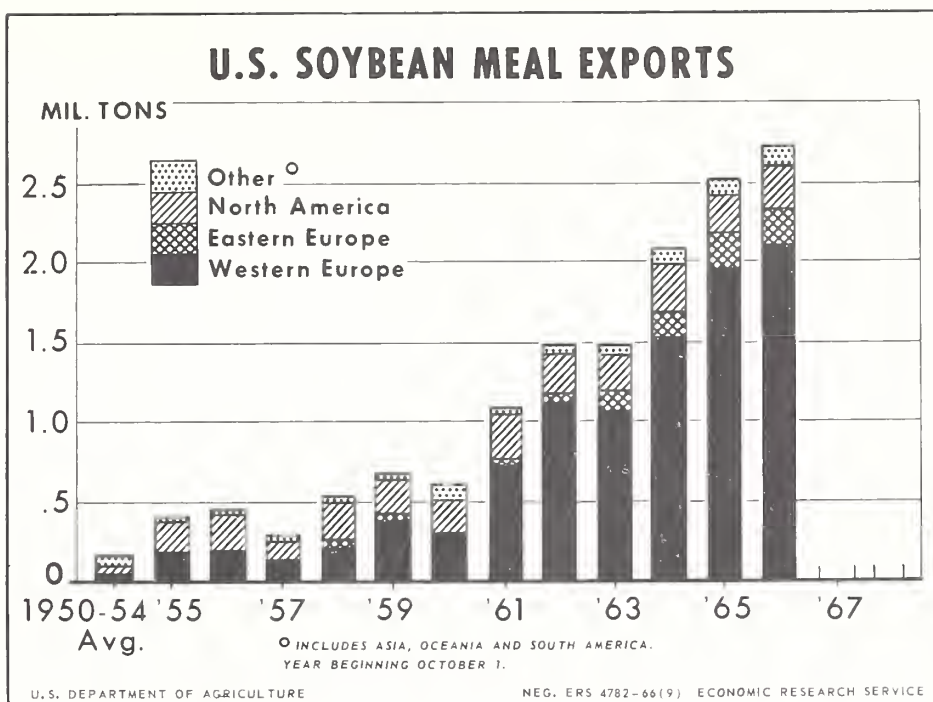


Figure 11

Trend: U.S. soybean meal exports have risen sharply from 0.6 million tons in 1960/61 to a record 2.5 million in 1965/66. About three-fourths of the total goes to Western Europe. Export demand for soybean meal is generated essentially by the same factors that create the demand for soybeans abroad. Demand is strong particularly in Western Europe, where U.S. meal has established a reputation for high quality. Important factors include increased knowledge of the feeding value of soybean meal and continued improvement in feeding practices and price ratios favorable for feeding. The sharp rise in European imports of other feed concentrates also reflects increasing demand for live-stock products, rising incomes, and preference for meat.

Outlook: Soybean meal exports during 1966/67 probably will increase moderately as the record crush increases supplies. Prices are averaging lower than in recent months, but are substantially above last year. West European demand for U.S. soybean meal--as meal--will reflect additional vegetable-protein requirements not filled by the meal from imported U.S. soybeans. Prospective supply and domestic use for 1966/67 suggest that approximately 2.7 million tons of soybean meal would be available for export, assuming no change in the carry-over next October 1. Most of the 1966/67 soybean meal exports will be to Europe as in the past. The greater part of the increase in foreign meal requirements during 1966/67 is expected to be satisfied by the importation of larger quantities of U.S. soybeans for crushing rather than importation of meal as such. This was the case during the 1965/66 marketing year.

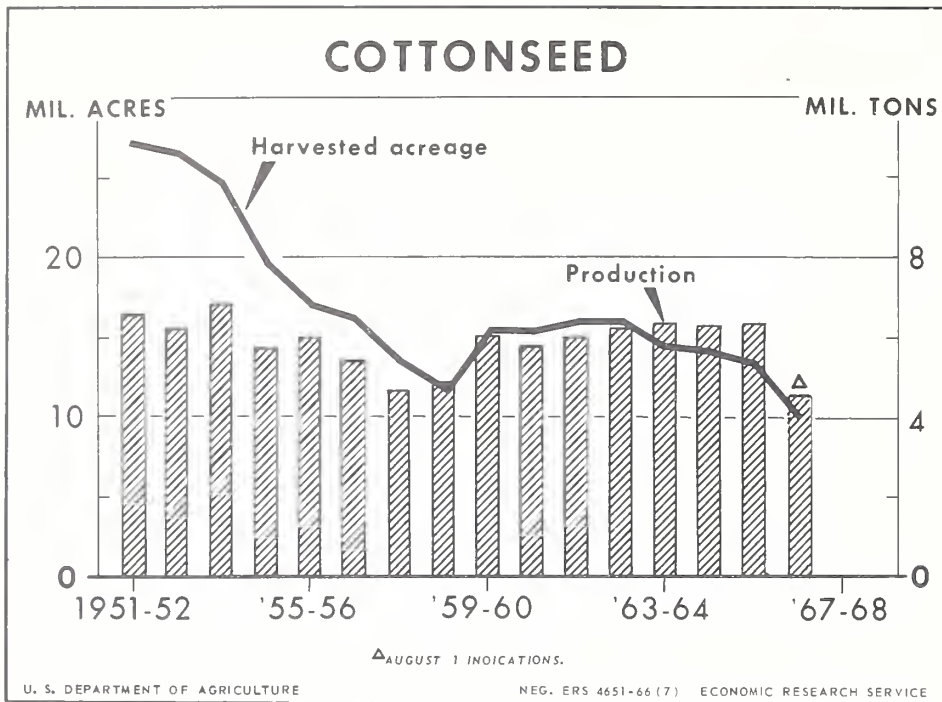


Figure 12

Trend: U.S. cotton acreage harvested has dropped sharply from 26.9 million in 1951 to 9.8 million in 1966, a decline of 64 percent. Cottonseed production was reduced only 33 percent during this period because of the strong uptrend in yield per acre which rose from 467 pounds to about 900 pounds. Because cottonseed is a joint product in the production of lint cotton, its supply is determined primarily by the economic factors that affect cotton. Cottonseed output, therefore, does not adjust to changing demands and price levels for oilseeds, edible oils, and oilmeals.

Outlook: The 1966 cottonseed crop was estimated as of November 1, at 4.2 million tons, 31 percent below last year and the smallest since 1950. The current estimate of production does not reflect frost and freeze damage occurring after November 1. The sharp cutback results from heavy grower participation in the new cotton program in effect for the 1966/69 crops. Cottonseed crushings during the 1966/67 season are forecast at 3.9 million tons compared with 5.7 million last year. A crush this size would produce around 1,300 million pounds of crude cottonseed oil--down 600 million pounds from last year. Cake and meal output would be around 1.9 million tons compared with 2.7 million the year before. The sharp cut in cottonseed production points to higher prices received by farmers this year, perhaps two-fifths above the \$47 per ton received in 1965. Prices have moved up from \$63 per ton in August 1966 to \$66 in October. The 1966 cotton crop is late in practically all areas except the far West, and the 49 percent ginned by November 1 is the lowest on record for this date.

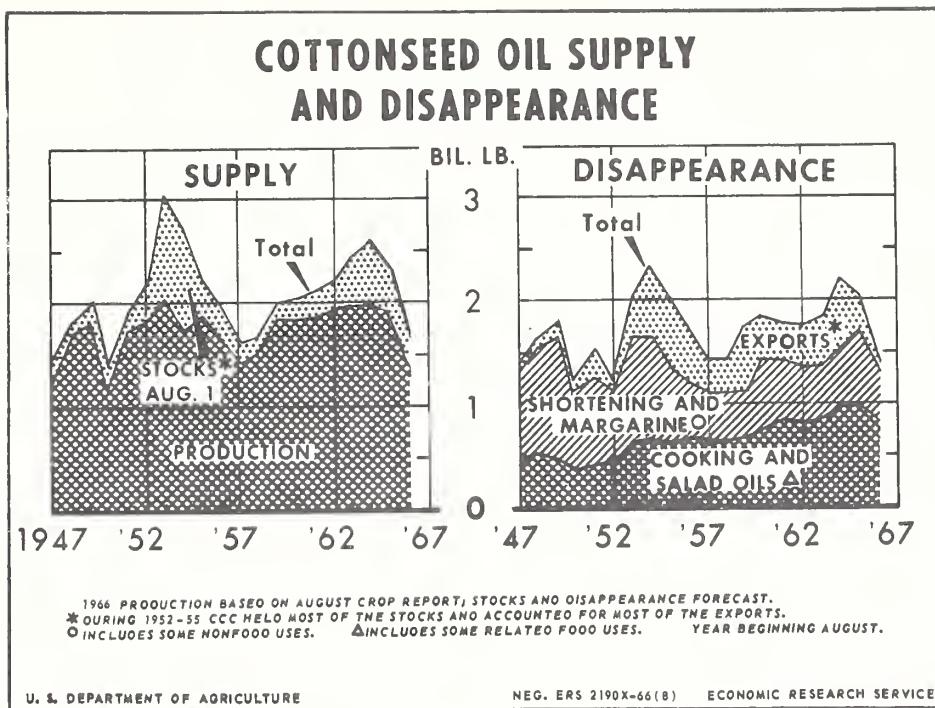


Figure 13

Trend: U.S. cottonseed oil supplies have fluctuated widely in the post-war years. From a peak of 3.0 billion pounds in 1953 they declined sharply to 1.6 billion in 1957, then increased again to 2.6 billion in 1964. Supplies currently are on the downtrend again. During the early 1950's CCC holdings were sizable and accounted for most of the exports. Cooking and salad oil has been the major outlet for cottonseed oil, accounting for about two-thirds of total U.S. domestic disappearance. Shortening, margarine, foots, and refining loss account for the other third. Exports have varied considerably over the years.

Outlook: Total supply of cottonseed oil for the 1966/67 marketing year that started August 1 is estimated at 1.6 billion pounds, compared with 2.3 billion the year before. The decline from last year is mainly due to reduced output, although carryover stocks were also smaller. Domestic use of cottonseed oil is forecast at 1.2 billion pounds compared with 1.7 billion in 1965/66. Manufacturers of cooking and salad oils likely will turn more to blended vegetable oils or switch to lower-priced soybean oil in order to remain competitive. Some users have already made this shift in product formulations. Cottonseed oil exports in 1966/67 will drop sharply from the 348 million pounds a year earlier, mainly because of reduced U.S. availabilities and relatively high prices. Cottonseed oil in Western Europe--the major U.S. dollar market--probably will not be competitive with foreign oils (such as peanut, sunflower, and coconut), and imports will fall off.

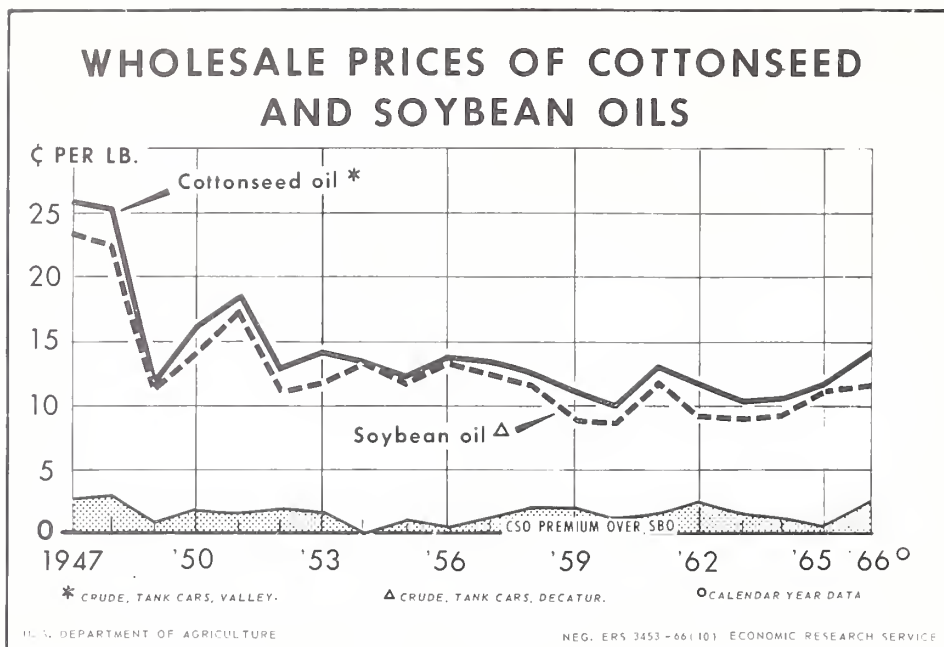


Figure 14

Trend: Wholesale prices of soybean oil and cottonseed oil, dropping sharply shortly after World War II and Korea, have generally drifted lower during the 1950's and early 1960's. The two competitive edible oils generally move together and tend to vary within a narrow range of one another. This reflects primarily their high degree of substitution and interchangeability in manufactured food products. When one gets out of line with the other in the general price structure, manufacturers who use that fat switch to a lower priced substitute fat as much as they can. The price premium of cottonseed oil over soybean oil during 1947/66 averaged 1.5 cents per pound. It varied from zero in 1954 to 2.9 cents in 1948. In 1962, the premium was 2.4 cents.

Outlook: The sharp reduction in cottonseed oil supplies during the 1966/67 marketing year--down about 700 million pounds from 1965/66--is expected to result in a relatively wide price premium over soybean oil--probably averaging around 2 cents per pound. The price differential is expected to be narrowest this fall when the supply of both oils become seasonally high. Later in the marketing year, the price spread between the two oils probably will widen once again. For all of 1966/67, cottonseed oil prices probably will not differ much from the 1965/66 season average of about 13 cents per pound. During 1966/67, soybean oil prices are expected to average below the 12 cents in 1965/66. There is still some preference for cottonseed oil over soybean oil in some countries because of its desirable quality characteristics and historical use. Although this preference is disappearing in the United States, it nevertheless continues in some degree. Because of the nearly complete technical substitutability, the differential in the long run probably will narrow and may even disappear.

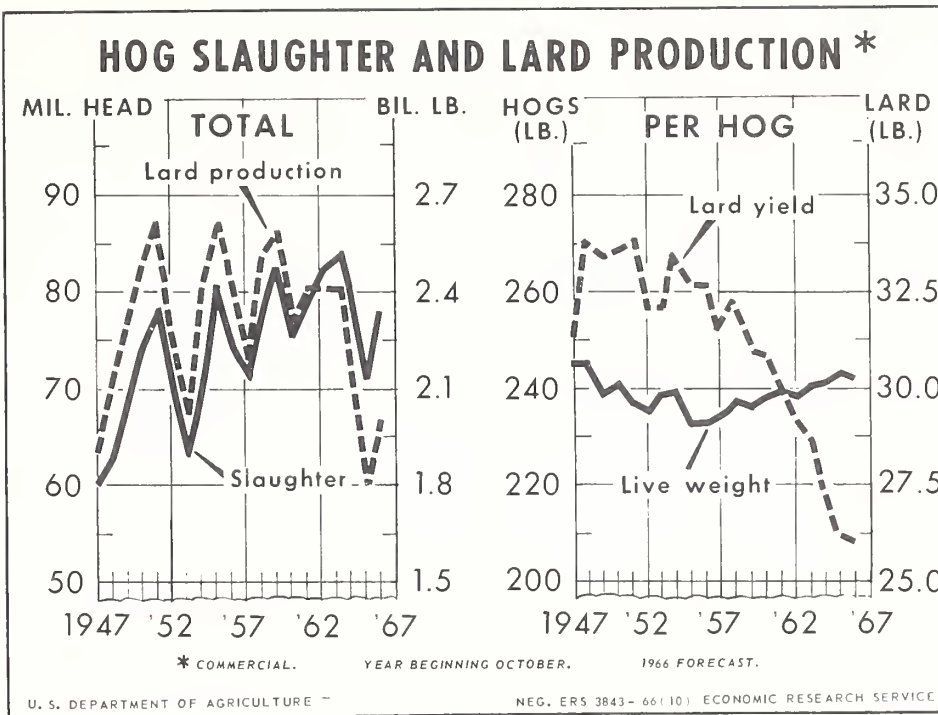


Figure 15

Trend: Annual changes in lard production are mainly associated with changes in the number of hogs slaughtered and lard yield per hog. Hog slaughter has varied widely in the postwar era and in recent years has tended to follow a 2-year cycle. Lard yields per hog have declined each year since 1958, and are down 8 pounds since 1951/52, when they totaled 34 pounds per hog. The lower yields result primarily from production of meat-type hogs. Also, in times of high pork prices, processors tend to leave more fat on the meat cuts. The average live weight of hogs has trended upward from 233 pounds in 1956 to 243 pounds in 1965.

Outlook: Lard production in the 1966/67 marketing year that began October 1 may total around 2.0 billion pounds--about 7 percent above 1965/66. Commercial hog slaughter for 1966/67 may total 8-10 percent above the 71 million head last season. Domestic use of lard (including farm) is estimated at 1.7 billion pounds of which about 1.1 billion may be as direct use. Lard in margarine and shortening manufacture is expected to increase some as lard supplies pick up and prices average lower. On October 28, the USDA announced that lard could be used as an optional ingredient in shortening and margarine formulations purchased with Section 32, P.L. 320 funds. These products are distributed to schools, institutions, and needy families. In 1965/66, shortening purchases totaled 97 million pounds and margarine 51 million pounds but lard was not permitted as an ingredient. Lard prices (tanks, loose, Chicago) during the 1966/67 marketing year may possibly average a cent below last year's 11.7 cents per pound--the highest in a decade. The price spread between lard and soybean oil likely will be narrow in 1966/67.

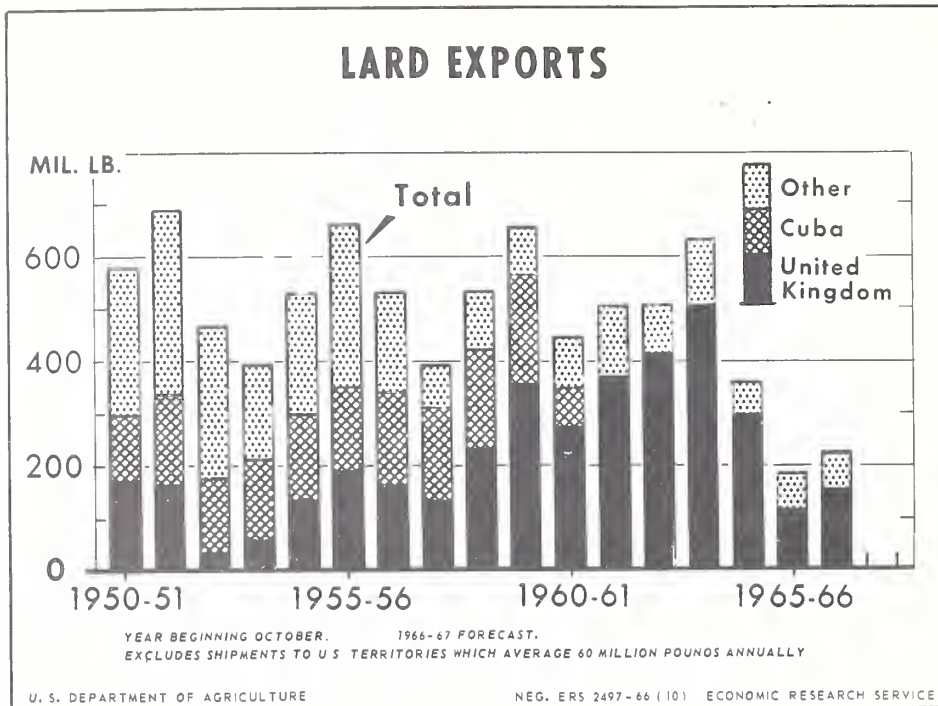


Figure 16

Trend: Lard exports (excluding shipments to U.S. territories) have fluctuated widely, averaging 0.5 billion pounds during 1950/63, or about one-fifth of U.S. commercial lard production. Exports dropped sharply in 1964, and in 1965 were less than 0.2 billion pounds, about one tenth of total output. Smaller domestic supplies at relatively higher prices were factors reducing lard exports in recent years. The loss of the Cuban market, starting in 1961, was also a factor. Our important foreign market outlets for lard have narrowed down to the United Kingdom which alone has accounted for about 80 percent of total U.S. exports during the past 5 years.

Outlook: The volume of lard available for export (including shipments to Puerto Rico) during the 1966/67 marketing year is estimated around 0.3 billion pounds, compared with 0.2 billion shipped in 1965/66, but considerably below average. Larger U.S. availabilities and lower prices are the major factors pointing to an increase in exports this marketing year. Also, this winter Western Europe hog slaughter is expected to be down 6 percent from last winter's level. The drop for the October-March period will be more pronounced--about 10 percent--in countries outside the Common Market. Likely to suffer most from the overall decline are the importing countries--the United Kingdom, Switzerland, Austria, France, and West Germany. Likely to gain some is the United States, which could score some increase in lard exports to Western Europe in 1966/67. European lard prices are also influenced by the prices of competing fats and oils, chiefly palm oil, fish oil, and edible tallow.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Housing Assistance Administration

FACILITATING COMMUNITY SERVICES
IN LOW-RENT PUBLIC HOUSING DEVELOPMENTS

Talk by Abner D. Silverman, Director
Housing Management Division
at the 44th Annual Agricultural Outlook Conference
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Facilitating Community Services in Low-Rent Public Housing Developments

I am delighted to be here today in this distinguished company of State Extension Family Economists and Home Management Specialists, and to have the privilege of taking part in this Family Living Session, "New Opportunities for Better Living in Rural Communities."

February 12, 1964, is a day we in housing think of as a milestone. On that date PHA Commissioner, Mrs. Marie McGuire, and your Administrator of the Federal Extension Service, Mr. Lloyd Davis, co-signed a Mutual Opportunities for Action agreement, which was to be the prototype of a long and continuing line of formal interagency compacts. Its objective was to work together to help low-income families living in low-rent public housing to learn to live in such a manner as to improve their individual welfare, and at the same time, to achieve social acceptability in the community in which they live.

This was a culmination of partnership which had existed for more than 10 years, a formalizing of a leadership which agreed that "a cooperative endeavor to implement programs designed to help families in low-rent public housing to improve their living conditions is desirable; and that such a program should be on a continuing basis, developing and expanding as funds become available."

There is public housing in more than 1,500 places of 5,500 or less population and we in public housing consider ourselves fortunate that County and Home Agents do not stop at the city line, or at the outer boundaries of public housing. We welcome and respect the people-oriented programs of training and adjustment of Extension Service, based on your long experience in dealing with low-income families, and your understanding and know-how in motivating and involving low-income people. You are indeed frontline troops in the War against Poverty. Local Housing Authorities relate to the War on Poverty by increasing the real income of low-income families. By providing rents within the financial reach of such families, the family's capacity to use its meager resources to greater advantage is enhanced. Whether the choice is more food, more clothing, more education, the ability of the family to rise out of poverty is increased.

Moreover, Local Housing Authorities are and will continue to relate to poverty by providing an indirect but most helpful ingredient both to the War on Poverty and to the creation of The Great Society. This ingredient is the provision of a neighborhood environment in which those affected by poverty can be motivated--often by Extension Service Home Economists--to take advantage of the opportunity being created for their use and advantage, and the opportunities made immediately accessible to them by location on-site next to their homes. In my view, this indirect helping activity may be the most significant contribution Local Housing Authorities can make to our national effort.

President Johnson has stirred the nation with a challenging program of action - appropriately called the War on Poverty. But even more than the challenge of an action program to eliminate the causes of poverty, the President has summoned us to the national duty to create "The Great Society." There is neither a simple nor a short definition of the term "The Great Society." It does envision a human condition and setting in which the ancient scourges of hunger, squalor, disease, and ignorance are reduced to the minimum and the opportunity for the individual to develop his potentialities are increased to the maximum. It harks back to the vision of our founding fathers who sought to form a more perfect union, to establish justice, to promote the general welfare for themselves and their posterity. It looks forward to the vision held by the President of a society - great not merely because of its increasing wealth, nor even of the wider distribution of that wealth to its citizens - but rather, great because of the quality of its people.

If the low-rent housing program is to make a significant contribution to "The Great Society," it must participate with other tax-supported agencies, such as Extension Service, in the development of an environment in which people are neighbors, have equal access to goods and services, share mutual responsibilities for the common good, have a sense of their dignity and self-worth, and above all a sense of belonging.

The housing of low-income families has been part of the nation's welfare program for 26 years. Historically, HAA has taken the position that its role was to reshape the physical environment of disadvantaged families. The reshaping of their social environment was considered the responsibility of other public or private community agencies, many of which are aided by separate and varied Federal grant programs.

From the beginning it has been recognized that no hard or sharp line can be drawn between physical and social areas of responsibility.

Public housing projects have provided physical space for community activities. Local Housing Authority employees have served both as a detection mechanism for finding families needing social services and as the channel by which their needs have been brought to the attention of social agencies. Some Local Housing Authorities have undertaken to educate families in the use of dwelling equipment and in home-making practices to promote the care and

protection of property. Great efforts have been made to increase and coordinate the flow of services to public housing occupants.

Housing Authorities have employed qualified social workers as staff members to improve the liaison between housing and social agencies. But even as Housing and Welfare have been coming closer together in their efforts and activities, the urban problem has grown in difficulty and importance.

In the early 1930's, it was noted that social pathologies were closely correlated with slum housing and therefore must be causally connected. This led to the belief that the low-rent housing program would provide a sure, direct, and happy solution to the problem of anti-social behavior. The problem was obvious. It was the existence of slums. The sure direct answer was clear the slums and rehouse the people - and for awhile the results were happy.

In the late 1930's and early 1940's, we housed working class families of low income. They were poor, but they were mostly employed and accustomed to urban living. In those days, indeed, Local Housing Authorities carefully screened out, or imposed quotas on, applicant families receiving relief, those who had unpleasant social histories or living habits, or those who were not normal families. The ideal was to rehouse a cross-section of the low-income families of the community, in terms of income, of family size, and of source of income.

The working-class composition of public housing projects was strengthened and expanded by the war. But, since the war and over the past decade, the migration of low-income rural families to our urban centers, the displacement of families by federal, state, and local clearance activity, the enormous increase in the housing inventory and a real gain in wages have combined to cause a substantial change in the characteristics of the public housing tenant population.

This change was accelerated by income limits on continued occupancy which forced the removal of the upwardly-mobile segment of new tenants, by prohibition against quotas for relief-clients, by intake preferences for the displaced, and for the elderly. The total net effect of this decade of upheaval has been that public housing projects have progressively served a larger number of lower income families. More and more families who, in sociological terms, are from the "lower class" segment of the low-income population are moving into dwellings vacated by the working-class families who have graduated from public housing.

Today a statistical cross-section of the tenant population of low-rent housing projects shows the following: 50 percent are non-white; 51.2 percent are receiving assistance or benefits; 30.4 percent are elderly; 28.4 percent of the families with children are one parent broken families; 56 percent of all the families have moved in within the past 5 years; 82 percent of the elderly and 25 percent of the nonelderly have no gainfully employed worker in the family.

These are families of very low income. The median total annual income for elderly individuals is \$1,100, for elderly families \$1,497, and for nonelderly families \$3,225.

These are disadvantaged families subject to all the stresses imposed by poverty, ignorance, acceptance of squalor, ill-health, and the lack of skill required to participate effectively in the urban labor market. They are the poor.

Their increasing number in projects has led to the popular, vicious, and false myth that public housing breeds crime and delinquency and shelters only the social deviates, the worthless, the immoral dregs of our society. What public housing has done is to put on public display the scope and dimension of the failure of our society which residence in slums and rural areas had kept secret. The reaction of the myth-spreaders is a refusal to face reality, a refusal to recognize that poverty and all its attendant horrors still stalk our land.

Experience has shown that merely changing the physical environment of such families does not, by itself, remove the other obstacles to their self-improvement or social urbanization. Experience has also shown that social services, higher-horizon educational programs, recreation, health clinics in a squalid living environment do not, by themselves, eradicate the obstacles nor solve the problem. Experience has shown, however, that public housing projects do provide an unparalleled opportunity for rehabilitation of a-social families. We have learned that we are not dealing with alternative strategies - we are dealing with complementary activities that work best when they work together.

There is a vast number of examples of living standards of public housing residents raised by neighborhood centers, of delinquency overcome by scouting and boys' club activities, of the development of a neighborhood pride and an uplift of the tone of a community through tenant and neighborhood associations, of people becoming employed and self-dependent through the establishment of branch offices of public welfare agencies on project sites.

The many success stories have certain elements in common. There exists door-step accessibility of the service, a vital element in serving low-class families who are frequently block bound and reluctant to leave their familiar neighborhoods. There exists encouragement by project managers to participate. There exists evidence that daily contact and communication between a site-based worker and the tenant develops into a trusting relationship particularly when the tenant learns that help is available, is reliable, and involves no loss of pride or dignity.

One exciting example exists in the report on the Consumer Education program by the University of Missouri Extension Center for its first year, 1965. Trying out a new approach in St. Louis to meet responsibilities in the war on poverty,

the Extension Service is providing seven home economists in poverty areas and public housing neighborhoods on a regular consulting basis. The economists schedule time periods in the Neighborhood Centers so that social workers may refer persons to them for consultation on any type of home economics problem. The consulting periods are arranged in 12 Neighborhood Centers by Center Coordinators of the Human Development Corporation.

The role of the Home Economist was to conduct educational programs in their assigned districts and to train a group of Educational Aides for neighborhood work. In major work areas, classes were conducted in nutrition and food buying, in clothing construction, home management, and money management.

One of the first requests for educational work came from St. Louis Public Housing Authority, for assistance in care of walls in family apartment units. This was expanded to include care of equipment, window treatment, storage area care. The Home Economists conducted 151 clothing construction classes attended by 1,678, and 91 food and nutrition classes with 787 attending.

One of the objectives of this program was to inform people of the benefits of the Food Stamp Plan. As the Neighborhood Stations became organized, their workers, plus Extension Educational Aides and Home Economists, made door-to-door visits, telling of the program; posters and leaflets were prepared and distributed, television programs were scheduled, and all 750 stores accepting Food Stamps distributed information. As a result, a \$40,000 increase has taken place in St. Louis in issued Food Stamp coupons, the number of households using them has increased from 4,263 to 5,331, and the number of people reached by the Food Stamp program had increased from 17,480 in November to 20,729 in February, when the report was made.

All of this concerted action is built upon the solid foundation of what I like to think of as the Three Cs of Social Progress: Cooperation, Coordination, and Communication.

Although everyone favors cooperation and coordination, each of us knows there are real difficulties in developing a process by which programs can be made mutually supporting. We develop programs to meet people's specific needs, whether it be employment, health, education, income maintenance, vocational rehabilitation, housing, improved physical environment, recreation or any of the other human requirements for development and growth. All too often, we see the programs develop and grow along specialized and fragmented lines, but we realize that the people who are the intended beneficiaries of these programs cannot be effectively served in a fragmented fashion.

The difficulties are increased by the variety of ways in which our system of Welfare--in its largest sense, operates. Many of our Federal programs in the health, education, and welfare fields are permissive rather than mandatory, flow to the communities through the states, and among the states

levels of income maintenance, health service, and education prevail--depending upon the social conscience and financial resources of the state. Some programs are directly operated by the Federal government, such as the Old-Age and Survivors Insurance Program and our National Parks. Still others by-pass the states and flow directly to local public agencies, such as the urban renewal and public housing programs.

Further, to this body of governmental instrumentalities for the provision of welfare services must be added the very large number of national voluntary associations which through local affiliates provide aid and assistance to people in need. These agencies are regulated by their independent boards of directors, raise and spend their own money, and have their own special objectives.

Finally, there exists the very real difficulty of making the services accessible to the intended beneficiaries and persuading the beneficiaries to utilize them. Obviously the coordination of social services is not an exercise in the art of administration for its own sake, but an attempt to make more effective the national effort to raise the quality of family life. If the people cannot be reached and helped, the efforts are useless.

The coordination of social services together with the provision of neighborhood centers to improve the general welfare of people living in slum or blighted areas has reached new heights of interest and discussion since President Johnson's Syracuse address in September. And whether a neighborhood center is mobile, as it might well be to best serve many rural low-income families, or centrally located as Grange Halls used to be, the center's yardstick of effectiveness will be the same as those in storefronts in big city slums. Is it a successful supermarket of community services and programs?

The neighborhood center is really not a new invention. It is a descendant of the "settlements" which developed in the last years of the 19th Century in London, and has been carried forward as the Settlement House movement in this country ever since. However, it has taken on new aspects. The original concept that the settlement would provide a focal point in which friendship and understanding might arise between members of different social classes through personal contact and communication, or as it became in this country, a device by which the immigrant family might become Americanized and part of the new community in which they settled, has become rather the concept of a building in which can be stationed the health, welfare, educational, recreational, and economic services that are needed to help families become socially urbanized and self-dependent.

This concept was given express Congressional approval by the Housing and Urban Development Act of 1965, which authorized Federal grants up to two-thirds (three-fourths in special cases) of the cost of providing a neighborhood facility which is (1) necessary for carrying out a program of health, recreational, social, or similar community service, (2) consistent with comprehensive

planning for the development of the community, and (3) so located as to be available for use by a significant portion (or number in the case of large urban places) of the area's low or moderate-income residents.

The Act further directs that priority shall be given to applications for projects that will substantially further community-action programs approved under the Economic Opportunity Act. This statute became law on August 10, 1965. Thus far grants for this purpose have been approved for neighborhood centers in 13 cities.

In addition to this act, the Office of Economic Opportunity has approved as of May 1966 the funding of neighborhood center program components for a total amount of nearly \$29,750,000. This does not mean the construction of such centers but may include some construction, rehabilitation of space, and the funding of activities and personnel.

The evidence is overwhelming as to the benefits to be derived from the location of services accessible to the target population.

In addition to accessibility, the multi-purpose nature of the neighborhood center is significant. Ideally it will house the helping services the neighborhood population requires--thus a pattern of use can be created.

There is tangible evidence of the value of placing professionals representing different disciplines and different bureaucracies in daily work contact, especially in dealing with the same target population.

Inevitably, working together leads field workers to understand each other's problems, to develop respect for each other's professional insights into the cause and possible cure for human problems, and thus develop mutual respect and the desire to work together.

In one such arrangement in Puerto Rico, four separate agencies of the Commonwealth stationed their workers on site in the large housing complex. Uniform office hours, salary schedules, and a common director were agreed upon. A central intake service and procedure was established and in a short while a new single operation was created out of four previously conflicting and duplicating activities.

This is one possible result from "professional togetherness." But even if the neighborhood center does not lead to the integration of program activity, the ease of communication between professional workers in an atmosphere in which they are permitted to consult their opposite numbers without going through the formal hierarchal channels helps create a desire to reinforce each other's work rather than proceed independently.

Perhaps the more significant result of neighborhood centers as a device for coordination will come about through use of the facility by the neighborhood

resident who goes there to seek help. Even if the center is conceived of as a type of department store in which each separate commodity is handled by a separate concessionaire, professionals located there perforce will find themselves working together by referral and consultation. Thus, as clients come in for help and as help is extended, there will be joint participation and the basic conditions which create coordination will exist--knowledge of the problem, knowledge of the resources and ease of communication. Moreover, if the neighborhood resident also uses the center to participate in recreational activities which are a source of pleasure, the use of the center will increase and thus the task of securing neighborhood participation will be facilitated.

It is a simple formula--but difficult to apply. It needs communication, conferences, mutual respect, surrender of absolute autonomy, and above all profound dedication and commitment to the common goal of helping people in distress.

It will not happen spontaneously--but the rising expectations of the poor and underprivileged will demand and secure increasing positive responses from the communities in which they live. Community-wide cooperation through coordinated activity in a neighborhood facility is one of the responses that will improve our urban environment.





